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Taking a liberty

Leveraged loan investors have complained about a lack of deal flow since before the lockdown started, lamenting how 2020 began with a bang and has since failed to deliver.

A juicy US\$3.58bn-equivalent loan from Liberty Global's Swiss cable business UPC, to back its SFr6.8bn (US\$7.4bn) purchase of Sunrise Communications, should have been lapped up. Instead, investors' initial reaction was one of surprise and annoyance.

"Typical bloody Liberty. It wasn't clear if people would go away this year but somehow everyone has managed to," one investor said when given just a week in mid-August to commit to the loan.

Liberty has sway, so can defy market conventions, but it is one of many deals across asset classes being pushed out when activity is typically very light. Fear abounds and all parties presently prefer the gamble of launching now as opposed to waiting for a wider audience in September.

The threat of second spikes in Covid, tensions with China and the US elections mean September onwards is looking risky.

In the first seven trading days this became the busiest August on record for US high-yield, on the back of the busiest ever July. The US high-grade market attracted 24 issuers on Monday and Tuesday to raise over US\$34bn. While US equity issuance in the first two weeks of the month was double that of August 2019.

Activity in other geographies is more modest, but still elevated from the norm.

The curious aspect is that the sharp increase in purchases of put options in the US and Europe shows investors are worried about a potential correction – unsurprisingly, considering the S&P 500 is within a hair's breadth of its all-time high – while fighting to get a share of new issues.

Who knows what September will bring, and indeed Q4, so for now issuers are right to press on and work from home, whether that is this week in Surrey, Ibiza or Norfolk.

Uncertainty upside

The US administration's rising hostility towards Chinese companies appears to be having some unintended consequences. As uncertainty builds around future access to the US capital markets, the pace of overseas Chinese listings is also increasing.

The President's Working Group on Financial Markets has recommended delisting all Chinese companies from the US, if American regulators are unable to inspect their audits by January 2022.

The threat of a ban is spurring Chinese IPO hopefuls to list in the booming US market as soon as possible, while those that are already traded there are rushing out secondary listings in Hong Kong as a contingency measure.

The New York IPO of estate agent KE Holdings showed US investors are clearly unfazed by the potential ban. China's biggest US listing since 2018 was priced above its marketed range, and gained 87% on its debut.

So far, so good. Fast-growing companies are raising money with ease. Investment banks are riding the wave, and stock exchanges on both sides of the Pacific are benefiting from the current boom in listing activity. The New York Stock Exchange and Nasdaq are each enjoying a rise in Chinese IPOs, just as secondary listings from the likes of Alibaba and JD.com have boosted revenues at Hong Kong Exchanges and Clearing.

But limiting access to the world's biggest capital market will hurt in the end, and it will be US shareholders – not the Chinese issuers – that feel the most pain.

If the US and China cannot resolve their differences, Chinese companies will simply move their listings elsewhere. US shareholders would probably be forced to tender their stock at a discount, or take up overseas shares with less protection and less transparency than they have today – both points the US working group acknowledged, but left unaddressed.

Until the uncertainty is resolved, China's growing companies can be forgiven for taking as much money off the table as they can.

Nothing personal

This crisis is proving the right time for fixed income markets to go where FX, equities and some liquid bond products have been for many years – trading mostly on electronic platforms.

Dealer-to-client e-trading in the US Treasury market has jumped since mid-March, just as it has in credit and more illiquid areas. Fixed income markets have been slow to go electronic for a number of reasons, not least the thousands of listed securities, but the mood seems to have swung.

The reasons are obvious: traders are working from home and once they got their rigs set up, they probably found it easier to trade electronically than to get five quotes from different dealers. That coincided with a surge in volatility and reduced liquidity, which meant prices went stale, bid/offer spreads widened and the hunt for firm prices naturally led them to electronic platforms.

Many seasoned professionals reckon the shift to electronic is likely to stick, especially for liquid securities. It may be a double-edged sword for banks, which will welcome lower costs, more internal efficiencies and higher volumes, but also face continued heavy spending on technology and the prospect of squeezed margins.

As FX and equities markets have shown before, it's impossible to go back. But voice traders don't need to panic – they will still be needed for those big orders and unusual and rarely traded securities for some time.

No delay for UPC's Sunrise loan

Loans Liberty Global breaks unwritten rule to launch US\$3.58bn loan in August

BY CLAIRE RUCKIN, PRUDENCE HO

LIBERTY GLOBAL's Swiss cable business **UPC** has launched a US\$3.58bn-equivalent financing to back its SFr6.8bn (US\$7.4bn) purchase of **SUNRISE COMMUNICATIONS**, ignoring the perceived summer slowdown to tap a window of opportunity and derisk the jumbo loan.

Arranging banks typically wait until September to launch large event-driven financings underwritten over the summer, in a bid to maximise exposure to investors that are usually out of the office during August.

"I was surprised as you don't expect new launches in August and then a jumbo issuance comes along. There is almost an unwritten rule in the loan market, don't launch something

in August," an investor said.

However, a number of growing concerns about the coming weeks and months are driving the deal to market, as banks gamble to launch syndication of the deal now, rather than sit on the risk.

"Offset against the holiday factor is the growing concern," a syndicate head said. "This includes risk of a second spike, tensions with China and people fretting about the US elections. All these concerns will figure into people's calculations more and more as we go into September. If there is a window, banks should take it, as there is very little perceived upside to waiting."

Investors have been given a short timeframe of a week to

commit to the covenant-lite financing that includes a Term Loan B1 and a Term Loan B2.

Both the TLB1 and TLB2 comprise a US\$1.2bn tranche and a €500m tranche, guided to pay 350bp over Euribor/Libor, with a 0% floor, at 98–98.5 OID.

Both tranches include 101 soft-call protection for six months and will mature in January 2029.

Proceeds from the deal will be used to refinance existing indebtedness and partially fund the acquisition of Sunrise Communications.

Deutsche Bank is global coordinator for the dollar loans, while *BNP Paribas* and *JP Morgan* are global coordinators for the euro loans.

Other bookrunners include *Bank of America*, *Citigroup*, *Credit*

Suisse, *Goldman Sachs* and *Scotia Bank*.

DRAW DEMAND

The financing will provide much-needed supply for the leveraged loan market, which has seen a lack of merger and acquisition activity post Covid-19.

Despite the timing, bankers believe the jumbo deal will draw enough demand to get done because of the good credit profile of the companies, which are well-known to the credit markets, as well as the weight of Liberty's strong reputation.

A number of big accounts were pre-sounded on the financing to make sure they had appetite for the deal, in a bid to ensure some sizeable

Ball Corp lands record low coupon in red hot US high-yield market

Bonds Low rates drive borrowing costs down for a well-liked junk borrower

BY DAVID BELL

Aluminium packaging producer **BALL CORPORATION** raised US\$1.3bn on Monday with the lowest coupon ever for a high-yield rated bond with a maturity of over five years, according to IFR data.

The 10-year bullet senior notes were upsized from an initial US\$1bn to US\$1.3bn, with leads also able to bring pricing from talk of the 3% area to land at 2.875%.

"That's 50bp back of Triple B spreads so basically back to the top of the market," said an investor following the trade.

Ball beat the 2.969% coupon seen on a US\$550m 2029 note which was priced by CIT Bank in September 2019.

Investors chalked the recent contraction of high-yield coupons in the primary market down to moves in the US Treasury market, rather than a change in the credit spread they are willing to accept.

Last Monday, the yield on the 10-year Treasury was as low as 0.54%, according to Refinitiv, though there was a big sell-off as the week progressed to 0.72% by Friday morning, as the US Treasury department did a couple of huge auctions, as well as improving employment data.

Average high-yield bonds offer a spread of 510bp over Treasuries, well inside the peak of 1,087bp seen at the height of the pandemic panic in March, but still a way off the 356bp level

seen at the start of 2020, according to ICE BofA data.

"Headline-grabbing coupon levels have been great for borrowers," said Leland Hart, co-CIO at asset management firm Alcentra. "As an investor, we are always looking to get paid more for the same level of risk, but you also have to look at where spreads are."

"They are currently at about their average over the past 20 years, and certainly well away from their lows. The eye-popping coupons are more a function of low Treasury rates than they are about credit spreads being too tight," he said.

Ball's Ba1/BB+ rated notes were priced at a spread of 230bp over Treasuries.

Average Triple B bonds are trading at 177bp over, according to ICE BofA data, putting the new Ball offering on the next rung down, but still much tighter than average Double B bonds which offer a spread of 347bp over.

The company's longest-dated outstanding dollar bond, a 4.875% 2026 note, had been trading at a cash price of 113 to yield 2.26% on August 7, according to MarketAxess data, the last quoted trade before the new deal was announced. On a spread basis the bond was trading at 200bp over Treasuries.

Ball's new 2.875% 2030 note was last trading at a cash price of 99.125 to yield 2.98% on Thursday, or a spread of 228bp over Treasuries, according to MarketAxess.

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commitments to the loans, bankers said.

"It is a well-known credit in a well-known sector. It is an investment decision not a credit decision, so it doesn't need reams of man hours and won't interrupt the sunbathing schedule too much," the syndicate head said.

Fitch upgraded Sunrise's rating in May this year to BBB- from BB+, citing the firm's solid operating profile. UPC was rated by Fitch at BB- and at Ba3 by Moody's prior to the merger announcement.

"It is unusual timing but given the scale and ratings, we think it's attractive and people will do the work," another banker said.

The stable long-term growth of the telecoms market in Switzerland and the positive synergies from the merger are also likely to attract investors to the deal, the bankers said.

CANS IN DEMAND

Despite the low Treasury rates on Monday being seen as the main factor behind the low coupon, it was no surprise to investors that Ball was able to push pricing so tight, in what have been exceptionally strong conditions for well-liked names to price new bonds.

"Ball is as rock solid as they come," said a second portfolio manager. "Very high quality Double Bs trade between 250bp and 300bp over now."

The company has benefited from a shift to off-premises drinking during the Covid-19 pandemic, which has sparked an increase in demand for the company's cans.

Ball's beverage canning operations across North America are all sold out in advance of new capacity coming online, CEO John Hayes said on the company's second-quarter earnings call on August 6.

The company has two new production lines in Georgia and Texas coming online in

CASH OFFER

Liberty Global agreed on August 12 to make an all-cash offer for all publicly held shares of Sunrise at SFr110 per share, valuing Sunrise's equity at SFr5bn and giving it an enterprise value of SFr6.8bn.

Liberty Global said it would fund the deal through SFr3.5bn of cash from its balance sheet and approximately SFr3.2bn of financing, of which SFr1.6bn will be available to refinance existing indebtedness of Sunrise as needed.

Sunrise will become part of the UPC credit pool. Targeted leverage for this pool will be five times, pro forma for this transaction, including vendor financing and leases.

The deal marks a 180 degree turnaround from a SFr6.3bn takeover attempt by Sunrise for UPC, which failed last year. UPC had agreed to the deal but Sunrise shareholders scuppered the trade, saying the takeover was too expensive. ■

the second half of the year with two more expected to be operational in 2021, yet the company says it will need to import cans from its facilities outside of the US to keep up with demand.

Moody's said that the company had previously had a willingness to undertake large debt-financed acquisitions that stretched the company's credit metrics.

"Contrary to past sizeable M&A deals, Ball is embarking on a multi-year phase of internal investments to serve organic growth for beverage cans and support new contracted volumes," said CFO Scott Morrison on the earnings call.

Proceeds from the bond offering were aimed at repaying borrowings under its revolving credit facility and for general corporate purposes.

Goldman Sachs was lead-left on the deal with Bank of America, Citigroup and Deutsche Bank as joint active bookrunners. ■

Investors ready for Ancestry

■ Bonds/Loans Buyout backed by up to US\$2.5bn of debt

BY AARON WEINMAN

Blackstone's acquisition of genealogy service **ANCESTRY** is expected to be backed by up to US\$2.5bn of new debt financing, according to two sources.

The potential transaction will be a welcome boost for investors looking to participate in new, event-driven credit facilities, which have remain limited since the Covid-19 pandemic slowed fresh M&A activity.

At this size, a new financing for Ancestry will be one of the larger sponsor-backed LBOs since the pandemic gripped financial markets earlier this year.

Technology services provider Tech Data raised US\$2.07bn in loans to support its buyout by Apollo in June and in the same month Pathway Vet Alliance raised roughly US\$1.3bn in loans to fund its LBO by TSG Consumer Partners.

Bank of America and Credit Suisse have provided committed financing for the acquisition and are expected to tap both the high-yield bond and institutional leveraged loan markets, the sources said.

Blackstone agreed to acquire Ancestry.com from investors Silver Lake, Spectrum Equity and Permira for US\$4.7bn, with Singaporean sovereign wealth fund GIC remaining a minority investor in the company.

The private equity firm will come in with at least US\$2bn in equity, while GIC will inject up to US\$500m, the sources said.

Bank of America and Credit Suisse declined to comment. A spokesperson for Blackstone would not comment beyond its press release, and Ancestry and GIC were not immediately available for comment.

Blackstone's bet on Ancestry ultimately rests on people's

curiosity in digging deeper into their family history, and ramping up the company's subscription base continues following the global pandemic.

Moody's expected Ancestry to benefit as consumers unearthed new interests while at home during Covid-19 lockdowns, according to a report in April.

Investors too are confident Ancestry will succeed throughout the economic slowdown on the back of its predictable, subscription-based cashflows and strong liquidity, one asset manager said.

"Accounts are very comfortable with a credit like Ancestry," said the investor. "It's a good company that the market knows well, so a new financing will go nicely under these market conditions."

MARKET SHARE

Ancestry's total revenue declined 1.2% in 2019, partly due to a 48% slump in DNA unit sales compared with 2018, Moody's said in its report.

Yet, the company enjoys strong market share and cashflow, enabling it to sustain high leverage. Its adjusted debt-to-Ebitda ratio was 6.7 times at the end of 2019, according to Moody's. Since investing in the company in 2016, Ancestry's current owners have been able to complete at least two transactions in the leveraged loan market to support dividend payouts.

In August last year, Ancestry paid more than US\$300m to shareholders from a US\$1.4bn loan. In October 2016, the company raised US\$1.9bn in loans that partially supported a dividend.

Silver Lake and GIC completed their purchase of Ancestry for US\$2.6bn in May 2016. Permira and Spectrum were existing investors. ■

China listing rush gathers pace

■ **Equities** The largest Sino-US IPO since 2018 comes amid renewed calls to ban Chinese stocks

BY FIONA LAU

Chinese companies are stepping up the pace of overseas listings as the US prepares new measures that could shut them out of the world's most liquid capital market in just 16 months' time.

Property listing service **KE HOLDINGS**, backed by Tencent Holdings and SoftBank, last week priced a NYSE IPO above the price range to raise US\$2.1bn in the biggest China-to-US listing since 2018. The deal came just two weeks after Chinese electric vehicle maker Li Auto raised US\$1.09bn from a Nasdaq IPO.

More big Chinese listings are on the way. Online wealth management company **LUFAX** has filed confidentially for a US

IPO which could raise around US\$2bn–\$3bn later this year, while **XPENG**, another EV maker, started pre-marketing last Monday for a NYSE IPO of at least US\$700m. Online apparel retailer **SHEIN** is also looking at a US IPO of at least US\$700m this year and there is a chance budget store chain **MINISO** will come at the end of the year with an up to US\$1bn float.

The acceleration in fundraisings comes as rising US-China tensions threaten to create a rift in the global capital markets. In the latest twist, US President Donald Trump's Working Group on Financial Markets has urged the president to delist Chinese companies that trade on US exchanges and fail to meet its auditing requirements by January 2022.

"Some of these issuers have been working on their IPO plans for quite some time and can't wait to come out when the market window is open. Of course they are concerned about the potential delisting but raising funds for survival or expansion is definitely more important at the moment," said an ECM banker who focuses on China-to-US listings.

Investors, meanwhile, have shrugged off the risks. The KE deal attracted strong demand from over 600 investors with the books more than 25 times covered.

"Why should I worry about something that will only happen in 16 months when I may not even hold the stock for a day?" said a hedge fund manager who participated in the KE IPO. "US IPOs have been

doing well lately and that's what matters."

Shares in KE rocketed 87% on debut last Thursday, closing at US\$37.44. It sold 106m American depositary shares at US\$20 each, above the US\$17–\$19 marketed range. *Goldman Sachs, Morgan Stanley, China Renaissance, JP Morgan and CICC* were the joint bookrunners.

OPPOSITE DIRECTION

While the China-to-US listings continue, more and more US-listed Chinese companies are seeking secondary listings in Hong Kong.

NYSE-listed **YUM CHINA**, which operates the KFC, Pizza Hut and Taco Bell franchises in China, Nasdaq-listed hotel chain operator **HUAZHU GROUP** and Nasdaq-listed e-commerce company **BAOZUN** are planning to

Heady equity markets lead to increased hedging

■ **People & Markets** Data show increasing demand for put options as investors fear correction

BY CHRISTOPHER WHITTALL

A growing number of investors are using derivatives to hedge their equity holdings following a remarkable stock-market rebound over the past several months amid a global pandemic.

The S&P 500 is within touching distance of the record close it reached in February, having almost recovered from a 34% plunge earlier this year after the coronavirus forced large sections of the global economy into lockdown.

That sustained rally – helped in no small part by extraordinary central bank and fiscal stimuli – has confounded sceptics convinced that equities would inevitably falter in the face of dire economic data.

But market data suggest a rising number of investors are growing uneasy with the

apparent disconnect between markets and the real economy. A recent JP Morgan report reveals investors now heavily favour put options to protect against an equity market slide over call options providing exposure to a further upswing.

That backs up anecdotal evidence from bankers, who say clients such as hedge funds and large institutional investors have looked to lock in gains in recent weeks.

"We have clearly seen an increased level of hedging across a wide spectrum of clients," said Julien Bieren, global co-head of equity derivatives structuring at Credit Suisse.

"We've seen institutional clients looking to be much more systematic in their hedging, or people in the [over-the-counter derivatives] space looking to take advantage of dislocated parameters."

MARKET DISCONNECT

The speed of the stock-market recovery has surprised many observers given the steep drop in economic output in many countries. The US and German economies contracted at their sharpest rates on record in the second quarter of the year, while the UK economy shrank

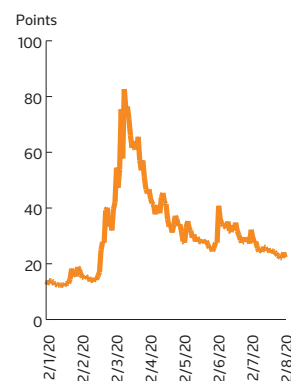
by more than 20% – the worst of major developed nations.

Yet stock markets have barely flinched. After trading sideways for much of June and July, the S&P 500 has ticked up again in August, powered higher in part by gains in technology stocks. The pan-European Stoxx Europe 600 index is also up more than 30% from its March low, though still remains some way off its record close in February.

Despite this apparent exuberance, there are signs that investors have been covering themselves against another market dip. The total open interest of S&P 500 put options is now 1.8 times higher than call options, according to the JP Morgan report. That compares with 1.3 times in mid-June as demand for protection against a stock market slump is growing.

Options markets also point to higher demand for Euro Stoxx 50 crash protection, the

CBOT'S VOLATILITY INDEX, THE VIX, HAS YET TO RETURN TO PRE-CRISIS LEVELS



Source: Refinitiv

bring respective US\$2bn, US\$1bn and US\$300m–\$400m share sales to the market before the end of September.

NYSE-listed **VIPSHOP** is talking to banks for a potential secondary listing while **NEW ORIENTAL EDUCATION & TECHNOLOGY** has picked *Bank of America*, *Credit Suisse* and *UBS* to arrange a US\$1bn Hong Kong share sale. Others that are planning secondary listings include data centre operator **GDS**, **TAL EDUCATION**, logistics company **ZTO EXPRESS**, video-streaming sites **BILIBILI** and **IQIYI**.

“The attitude of US-listed issuers towards secondary listings has changed a lot since the beginning of the year. In the past few months, there’s clearly a sense of urgency for them to do something to hedge the potential risk of being delisted,” said another ECM banker.

Some issuers, however, are playing down the risks.

“The recommendation by the President’s Working Group is a

recommendation. The president and the White House actually have not come out with an official executive order as of yet as to what to do with that recommendation. So we do think it is premature to speculate on how that would evolve,” said Yip Cheuk-tung, chief strategy officer at Tencent Music Entertainment Group on an analyst call.

“I want to stress that delisting is not the only option because if you look at the recommendation paper, it does outline alternative options, for example, co-audit between a US auditor and a Chinese-based auditor. We are evaluating all options,” Yip said.

The Public Company Accounting Oversight Board, the US auditing watchdog, has long complained of its inability to monitor the audits of US-listed Chinese companies, since China does not allow such information to be shared outside its borders. ■

report said. “Our analysis continues to point to heavier demand for put options,” the JP Morgan strategists said.

Kokou Agbo-Bloua, global head of flow strategy and solutions at Societe Generale, said hedge fund clients in particular had been reducing risk.

“A lot are worried about a second wave of Covid-19 in terms of corporate bankruptcies. Some feel that a lack of liquidity in the summer months could be a catalyst for an equity market correction. They don’t want to have big positions on when liquidity is poor,” he said.

RISE IN COST

One problem facing investors: hedging equity holdings is far more expensive than prior to this year’s crisis. That can be seen in equity volatility levels, a proxy for the cost of options.

The CBOE’s Volatility Index (which tracks S&P 500 options) is nearly twice the level of earlier in the year, at about 22 points.

BNP Paribas recently suggested the VIX should be nearly a third lower than its current level given how it has historically behaved in relation to other market parameters such as share prices.

The fact that it remains elevated despite current equity market performance may well reflect the considerable uncertainty over the trajectory of markets, the global economy and the coronavirus pandemic.

The higher cost of options has prompted many investors to consider ways to lower their hedging costs, bankers say.

“That could involve buying puts while reducing the cost with some conditionality, given that volatility is very expensive,” said CS’s Bieren.

Some may feel paying up for protection is worth it anyway given how far equities have risen in such a short time.

“It won’t be as cheap as before the crisis, but the risk-reward is still pretty compelling,” said Agbo-Bloua. ■

Wayfair cashes in on Covid-19 rebound

■ **Structured Equity** Online furniture retailer seizes upon unexpected profit for aggressive convertible

BY STEPHEN LACEY

Arguably no company has benefited from a stay-at-home world as much as **WAYFAIR**, an online furniture retailer that has habitually used convertible debt to fund global expansion while shunting profitability into the future.

An extraordinary US\$2bn jump in second-quarter revenue to US\$4.3bn, pumping out US\$440m of adjusted Ebitda in the process, a massive turnaround from Q2 2019 when it lost US\$70m and in Q1 2020 when its adjusted Ebitda hit –US\$127.3m.

Capturing the investor enthusiasm in those results, Wayfair last week sold a US\$1.32bn five-year convertible bond, plus US\$198m greenshoe, that it used to flush an existing CB that was deep in the money.

Citigroup and *Goldman Sachs*, as joint bookrunners, priced the CB on Tuesday at a 0.625% coupon and 32.5% conversion premium, towards the aggressive ends of 0.625%–1.125% and 30%–35% price talk and increased from the US\$1.2bn target.

Wayfair spent just over US\$1bn of the proceeds to repurchase US\$343.4m principal of its 0.375% CB that is convertible at prices above US\$104.06. Shares are presently just over US\$300, while the conversion price on the new bonds is US\$417.15.

However Wayfair spent US\$200m on a call spread to offset its dilution to share prices above US\$787.08, a 150% premium to reference and among the highest threshold on any CB this year.

Shares bottomed out at US\$23.52 in mid-March.

Wayfair shares rose 3.7% to US\$311.13 on the Tuesday marketing, as holders of the

0.375s being purchased closed out short positions and likely re-hedged at a lower delta on the new security.

Highlighting the extent of the turnaround in its business, in April Wayfair sold a five-year US\$535m CB privately at a 2.5% coupon payable-in-kind and a conversion price of US\$72.50, a 46% premium of the trailing 30-day VWAP at the time.

Wayfair’s ability to meet the higher demand is impressive.

“We could not have effectively met over US\$4bn of demand as we did in Q2 without the kinds of infrastructure, technology and relationships we’ve invested in over many years,” said chief executive Niraj Shah on the second-quarter earnings call. “Despite the fact that repeat orders more than doubled year-over-year, new customer orders grew even faster.

“This is the first quarter this dynamic has played out since Wayfair’s IPO in 2014.”

To help retain new customers, Wayfair is adding 1,000 employees to its customer service operations.

The new Wayfair CB is among the most aggressively priced and structured transactions of the year.

The security can be called after just 2.25 years subject to a 130% contingent conversion trigger, a far shorter period of investor protection than the typical three years. Only RingCentral offered less, at just two years, on its US\$1bn, zero coupon five-year CB in February.

Wayfair provided one other indication of its bullishness by keeping the call spread associated with the 0.375% CBs intact, rather than cash out now for the proportion of bonds that have been bought back. ■

Bond trading shifts to electronic since lockdown

■ **People & Markets** Home working and volatile markets prompt migration from voice

BY STEVE SLATER

There has been a significant shift to trading bonds electronically rather than over the phone since the coronavirus crisis and working from home, which many bankers regard as long overdue and may herald a structural change.

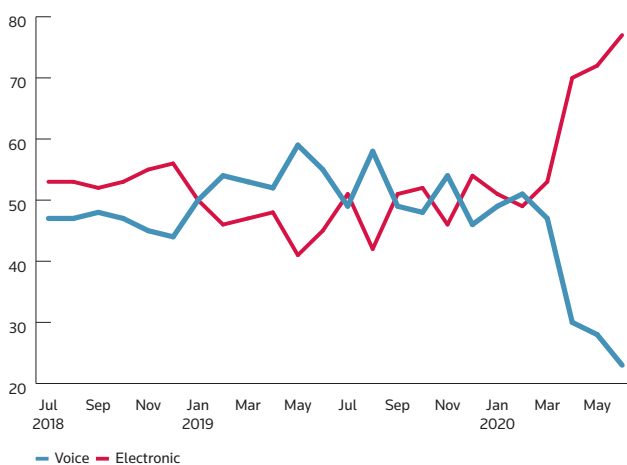
A report by JP Morgan said electronic execution in June accounted for about 77% of dealer-to-client trading in the US Treasury market, up from around 50% before the coronavirus crisis and lockdown.

That is a huge shift in the most active and liquid bond market. In the previous two years, trading was roughly evenly split between electronic and phone orders. In January and February of this year electronic trading still accounted for about half of the US Treasury

market, but that jumped to 70% in April and rose further in the next two months, according to data from JP Morgan's US Treasury trading desk.

There has been a similar shift in other parts of fixed income trading, including credit, where the level of electronic trading lagged behind other areas.

ELECTRONIC VS VOICE
US TREASURY MARKET EXECUTION 2018 TO 2020



Source: JP Morgan UST trading desk data

"Working from home was definitely a factor, and so was the underlying volatility in the market. The fact they occurred on top of each other exacerbated the effect," said Graham Cox, co-global head of UBS Bond Port.

"It's almost a bit like a jump-start the market needed, particularly in the credit space, which has been lagging the more liquid markets like Treasuries, FX and equities," Cox told IFR.

SYSTEMATIC CHANGE

Trading in the interdealer market for benchmark government bonds had already shifted to mostly electronic trading, similar to what previously happened in FX and equities. In those markets, almost all trading is done electronically.

But large parts of fixed income have been far slower to move, due

Banks left reeling over Hong Kong sanctions

■ **People & Markets** US also bars use of WeChat and suggests China delistings

BY THOMAS BLOTT

A triple whammy of US restrictions against Chinese companies and individuals has left global banks scrambling to understand the risks facing their operations in Hong Kong and mainland China.

The US Treasury Department on August 7 announced sanctions on 11 officials including Hong Kong chief executive Carrie Lam and Luo Huining, director of the Hong Kong Liaison Office and China's top official in the city, over their involvement in the passage of the new national security law.

The announcement came only a day after President Donald Trump issued two executive orders to ban, from September, all US transactions related to WeChat and Bytedance, the owner of video app TikTok.

Messaging service WeChat is seen as essential for anyone seeking to do business in China, and the ban could have big implications for US banks' ability to deal with Chinese clients, particularly for their traders and salespeople.

Also on August 6, a working group that includes Treasury Secretary Steve Mnuchin and Jay Clayton, chairman of the Securities and Exchange Commission, recommended the delisting of Chinese companies from US exchanges by January 2022 if US regulators are unable to access their audit documents.

The policy announcements have caused anxiety among global banks.

"The risk at the moment of this having a major impact on who banks can do business with is low," said one banker. "If you take the individuals who have

been sanctioned, it's only 11 individuals so it's certainly manageable."

"The concern would be if this were to escalate and, in the context of sanctions, the list were extended to the management of major Chinese companies. The risk of that happening at the moment might seem theoretical but US-China relations are so volatile now, it's impossible to rule out."

HOBSON'S CHOICE

The sanctions freeze any US assets held by the 11 individuals and generally bar US companies and individuals from doing business with them.

According to lawyers, global banks would be able to get around the sanctions as long as they do not help the individuals named to do business in the US and any transactions are carried

out by their non-US entities, although most expect banks to err on the side of caution by severing ties altogether with the 11 officials.

"Both European and US banks are taking a fairly conservative view, mainly because they have global policies that require them to adhere to OFAC [Office of Foreign Assets Control] sanctions," said Nick Turner, a Hong Kong-based lawyer at Steptoe & Johnson specialising in economic sanctions.

One banker told IFR his firm had suspended the accounts of individuals sanctioned by the US.

Adhering to the US sanctions throws up a particular problem for banks in Hong Kong, as the new national security law lists sanctions against China or Hong Kong as an example of illegal collusion with foreign forces.

to greater heterogeneity and complexity of many securities, which can also make them illiquid.

Significantly, the shift in dealer-to-client trading seen in recent months has been apparent across all clients in the US Treasury market, the JP Morgan report said.

"The electronification trend transcends client type, with asset managers, banks and broker dealers, as well as hedge funds, all displaying growth in low-touch execution since the onset of Covid-19," said the report to clients.

"With this in mind, it may be appropriate to question whether the recent market conditions have prompted or catalysed a systematic change in how investors trade USTs."

FIRM PRICES

Part of the reason for the shift was because traders at home wanted to transact based on prices quoted on a screen.

As volatility rose and liquidity reduced, bid/offer spreads widened, quoted prices became stale, and it became inefficient

to call several dealers for a price.

An increase in high-frequency trading in the past decade is likely to have added to the illiquid conditions as they can reduce activity during times of stress.

That left traders on the hunt for firm prices. "These firm prices were often found through electronic channels," the JP Morgan report said.

Historically, more heavily traded on-the-run bonds were likely to be executed on electronic platforms while voice execution dominated for less traded, or off-the-run securities.

JP Morgan said the off-the-run Treasury market had shifted to more electronic trading since the Covid-19 crisis.

The report said orders of more than US\$100m and deep off-the-run tickets still showed a preference for high-touch execution, with 68% conducted via voice.

UBS Bond Port volumes hit a record in the second quarter and traded volume on the platform was up 153% from a year ago. The number of trades

was up 94% and trades worth US\$1m or more were up 210%.

Cox said the trend seen since mid-March had continued.

"There has definitely been a cultural shift towards the platforms. You can often see that drift off, but it has proved both on Bond Port and more broadly that there's been significant stickiness within the electronic space," he said.

Bond Port is a liquidity network in the fixed income market. It provides firm pricing in more than 40,000 securities, covering credit, government bonds and emerging markets. It has 2,500 clients, including fixed income venues, traditional dealers and alternative providers.

"There may have been some people who never had any interest in electronic trading and refused to do it, but were forced to do it and thought: 'hang on, this is actually good'," Cox said.

NOT SO FAST...

The shift to electronic trading is broadly welcomed as cutting trading costs, improving

transparency and broadening market access. But regulators remain watchful for negative side-effects, and it could also be mixed news for banks.

Firms have spent heavily on platforms and whether that pays off can be a scale game, but margins are typically squeezed by electronic trading, so there is a risk banks cannibalise some of their income.

The Bank for International Settlements said in a 2016 report that regulators need to watch the impact of the electronification of fixed income markets.

"The rise of electronic trading is creating efficiencies for many market participants, improving market quality in normal times, lowering transaction costs and reducing market segmentation, while at the same time posing challenges to some participants," the BIS report said.

But the BIS said it was not appropriate for all securities, particularly for illiquid securities where there are higher risks from information leakage. ■

Most lawyers believe this will only apply to banks in exceptional circumstances, such as if they were to actively lobby for sanctions to be implemented, but banks fear a Hobson's choice of either adhering to US sanctions and breaching the NSL or vice versa.

In an August 8 circular, the Hong Kong Monetary Authority, the city's de facto central bank, said unilateral sanctions from foreign governments had no legal standing in Hong Kong and called for banks to treat all customers "fairly".

This dilemma will be particularly tricky for **HSBC** and **STANDARD CHARTERED**, both of whom publicly – and controversially – supported the NSL and rely on Hong Kong for a significant portion of group earnings.

HSBC and StanChart declined to comment.

UNWORKABLE SOLUTION?

The details of the US ban on WeChat are not yet clear, and

any restrictions will not take effect until September 20, but the move has prompted at least one US bank to remind its employees not to use social media apps when dealing with clients.

Hong Kong's Securities and Futures Commission updated its guidance two years ago to allow the use of instant messaging apps subject to certain caveats, such as properly maintaining records of client orders.

Most global banks do not allow their staff to use WeChat for business communications, but bankers and traders say that it is informally acknowledged that maintaining a relationship with Chinese clients without WeChat is almost impossible.

Lawyers do not expect the US to enforce a ban that would prevent American bankers in Hong Kong or China from using WeChat, or block US banks from dealing with Tencent Holdings, its parent company. A move against Tencent –

however unlikely – would come as a big blow to US investment banks, given the extent of the tech giant's portfolio: just last week, Goldman Sachs, JP Morgan and Morgan Stanley all worked on the US\$2.1bn New York listing of KE Holdings, which counts Tencent among its major shareholders.

It has however complicated an otherwise routine US\$400m acquisition loan for Tencent to fund its proposed US\$1.3bn takeover of Hong Kong-listed video-game developer **LEYOU TECHNOLOGIES HOLDINGS**. Though the financing is small fry for a company the size of Tencent – it earned US\$400m every 7.5 days in the second quarter – the WeChat restriction has given lenders pause for thought. (See Loans section for more.)

A ban on China-to-US listings would be far more painful for US banks and investors, but may become reality by January 1 2022 if Beijing continues to block US oversight of Chinese audits.

Market participants stress the SEC must launch a public consultation before making any such change. The recommendations also suggest that Chinese companies may appoint a co-auditor to satisfy the Public Company Accounting Oversight Board, which oversees the audits of listed companies, hinting at a workaround.

Lawyers, however, are doubtful about that solution.

"I don't see how that would work," said Alan Seem, a US-based partner at Jones Day. "The offshore auditor would need access to company information in China, which would then become part of their offshore work papers, which would then be subject to audit by the PCAOB."

"There needs to be some agreement between the US and China about what the PCAOB wants to be able to see. Once that is sorted out, it should not matter where the company auditor is located." ■

Vedanta seeks bond comeback

■ **Emerging Markets** Resources company needs around US\$3bn to buy out its Indian unit

BY DANIEL STANTON,
KRISHNA MERCHANT

Indian conglomerate **VEDANTA RESOURCES**' plans to simplify its organisational structure are about to face a significant test in the challenging Asian high-yield bond market as the oil-to-aluminium group prepares to finance a delisting.

Chairman Anil Agarwal wants to take Indian-listed subsidiary **VEDANTA LIMITED** private, and his company may have to pay one of the region's highest yields this year to do so.

Vedanta Resources, which Agarwal delisted from London in 2018, needs about US\$3bn to buy out the remaining 49.9% of the domestic unit, based on the current share price of Rs124.45. It is eyeing up to US\$1.25bn from the issue of US dollar bonds and the remainder from syndicated loans.

The company began investor calls last Tuesday via joint global coordinators *Barclays, Credit Suisse, Deutsche Bank, JP Morgan* and *Standard Chartered* for a proposed US dollar offering of

three-year amortising bonds, expected this week.

The issuer plans to have the secured notes amortise in equal instalments at 24, 30 and 36 months for a weighted average life of 30 months. The 144A/Reg S notes are expected to be rated B3/B by Moody's/S&P, and are likely to pay a yield in the range of 11%–13%, according to people close to the plans, although some bankers away from the deal think it could be higher.

A new issue would be a rare Single B offering from South Asia, giving yield-seeking investors some diversification beyond the Chinese market.

This year, just US\$1.4bn of Single B rated bonds have been sold by Asian issuers outside Greater China, according to IFR data. The highest yield paid in the region so far this year is a yield-to-put of 15.21% for Jiayuan International Group's tap of its 2023s in February.

A bookrunner said that the "landmark" offering is expected to draw attention from event-driven investors.

For the deal to be successful,

however, Vedanta Resources will need to reprice its curve and convince investors that its reorganisation will improve its credit profile.

The group's existing dollar bonds have rallied more than 40 points since it announced plans to delist the Indian unit on May 13, according to Refinitiv data, but are still quoted at double-digit yields. Its July 2022 bonds were bid at a cash price of 83 to yield 16.9% and its May 2023s were bid at 77.5 to yield 17.7%. It has over US\$4bn of US dollar bonds outstanding, and was hit especially hard when global markets slumped in March.

"Prior to the delisting announcement, Vedanta Resources had lost funding access given the scale of sell-off in the company's bonds and potential discomfort among banks to lend," said Neel Gopalakrishnan, lead analyst at S&P, in a webinar on August 12.

The oil-to-aluminium conglomerate is issuing dollar bonds from an indirect offshore subsidiary, Vedanta Holdings Mauritius II, so does not have to

comply with the Libor plus 450bp pricing cap on external commercial borrowings set by the Reserve Bank of India.

The collateral for the bonds includes a pledge of all the equity of Vedanta Holdings Mauritius and Vedanta Holdings Mauritius II, the entities that would collectively own up to 49.9% of Vedanta Ltd acquired from minority shareholders, according to S&P.

CREDIT POSITIVE

Separately, in the domestic market, another Vedanta subsidiary, **HINDUSTAN ZINC**, is targeting up to Rs50bn (US\$668m) from a debut offering of three-year rupee bonds as it builds up its cash buffers ahead of the privatisation.

"Vedanta needs a lot of cash and raising bonds from the domestic market is much cheaper compared with raising dollar bonds," a person close to the plans said.

Hindustan Zinc will be able to sell three-year paper in the rupee market at close to 6%, while Vedanta's dollar bonds

MTR sets Asia green bond record

■ **Emerging markets** Metro operator prices inside curve, despite impact of protests and coronavirus

BY DANIEL STANTON

Hong Kong metro operator and property developer **MTR CORP** has printed the largest single-tranche corporate green bond issue in Asia-Pacific and repriced its curve in the process.

MTR, rated Aa3/AA+ (Moody's/S&P), on Wednesday priced US\$1.2bn of 1.625% 10-year bonds at 98.695 to yield 1.768% or Treasuries plus 108bp.

This was at the tight end of final guidance of Treasuries plus 110bp area, plus or minus 2bp, and inside initial guidance of 150bp area.

Books had reached more than US\$6bn by the time of final

guidance, allowing the issuer to increase the issue size. Final books were over US\$3.75bn from 180 accounts at reoffer, including US\$385m from the leads.

This was the first green US dollar bond offering sold by a Hong Kong issuer this year, with the last such deal in May 2019

This was MTR's first offshore deal since 2016, when it printed US\$600m of 10-year green bonds, and it had been expected to aim for a similar size this time. Back then, it was

rated Aa1/AAA (Moody's/S&P) and printed the issue at a yield of 2.537% and Treasury spread of 80bp.

Far more bond investors are screening for ESG factors today than in 2016, said one of the leads, and this helped draw demand. Asian accounts took 85% of the Reg S bonds and Europe 15%. Banks booked 43%, fund managers 41%, insurers 10%, sovereign wealth funds and pension funds 5%, and private banks 1%.

The 2026 bonds were trading at Treasuries plus 125bp, meaning that MTR's new issue was priced 17bp inside it despite the longer tenor, due

partly to the old bond's illiquidity. The Hong Kong government owns around 75% of MTR, helping it to price the deal about 15bp–20bp inside the city's privately owned utilities such as Hongkong Electric and CLP Power, and close to some Singapore corporates such as Singtel.

Proceeds will be used to fund or refinance investments under MTR's sustainable finance framework.

MTR lowered electricity consumption in its rail network by 12% per passenger kilometre in 2019 compared with 2008. It has also reduced electricity usage in its investment

will come in the high teens in rupee terms, the person added.

Vedanta Ltd owns 64.9% of Hindustan Zinc, the Indian government 29.5%, and public shareholders the remainder.

In June, Crisil assigned an AAA stable rating to Hindustan Zinc's bonds, covering up to Rs85bn of non-convertible debentures. While the deal is yet to be announced on the electronic bidding platform, the company has already lined up investors for a substantial portion of the issue size, said the same source.

This year, just US\$1.4bn of Single B rated bonds have been sold by Asian issuers outside Greater China

Agarwal said in May that the impact of the coronavirus outbreak had caused the company to accelerate plans to streamline operations to allow it to deleverage and invest in the growth of the business.

Analysts view the privatisation of Vedanta Ltd as credit positive because it will simplify the complex structure

at Vedanta Resources, whose less than 100% ownership in operating subsidiaries hindered its credit profile historically.

While delisting will increase short-term debt, in the long-term it will improve Vedanta Resources' liquidity and ability to allocate assets and liabilities across the group.

"The privatisation will enable Vedanta Resources to better access future cash surpluses, as well as cash of around US\$1.7bn held at Vedanta Limited and its wholly-owned subsidiary, Cairn India Holdings," said Moody's in a note on August 11.

If the Indian purchase and delisting does not go through, there is a potential for an immediate downgrade due to uncertainty over refinancing, according to S&P, with a US\$414m loan due in December and US\$670m of bonds maturing in June 2021.

Investors in the proposed dollar bond issue will be refunded at 101% of their principal plus accrued interest if the buyout fails.

Any surplus proceeds from the bonds will be used to fund a tender offer at par for Vedanta Resources' dollar bonds maturing in 2021 or to repay them at maturity. ■

properties portfolio by 12% from 2013 levels, hitting a target it originally hoped to meet by 2023.

This was the first green US dollar bond offering sold by a Hong Kong issuer this year, with the last such deal coming from the Hong Kong government in May 2019, according to IFR data.

"Hong Kong has quickly become one of the region's most active and diverse green bond markets, across both the issuer and investor communities," said Sean McNelis, global co-head of debt capital markets at HSBC.

HSBC and Goldman Sachs were joint global coordinators. They were also joint bookrunners with Bank of China (Hong Kong), Credit Agricole, Mizuho and Standard Chartered. HSBC was sole sustainability adviser.

MTR operates railway businesses in mainland China, Sweden and Australia, and eventually London's Crossrail concession, but has been through a lot in its home market recently. Its net profit dropped 25.5% in 2019, as its Hong Kong transport network was disrupted by protests against the government and by the police response to the protests. On October 5, it shut down the entire network for the first time in its 40 years of service.

Average weekday patronage fell by 36.1% year-on-year in the first half of 2020, as coronavirus restrictions forced many people to work from home.

The performance of its property development business has helped offset the losses from public transport. ■

Focus on targets for KPI-linked bonds

■ **Bonds** Forward-looking statements prove difficult to quantify

BY TESSA WALSH

More sustainability-linked bonds are expected in the third quarter, but work continues through the summer to identify sufficiently ambitious targets to convince a sceptical market and find new ways to tie companies' financing costs to ESG performance.

Trade association ICMA published sustainability-linked bond principles in June, but details of which key performance indicators to adopt and which sustainability performance targets to calibrate them are still being thrashed out.

Alternative structures are also being considered as SLBs are not eligible for the European Central Bank's bond-buying programmes, but the use of novel structures could lead to new technical and legal points to consider, law firm Clifford Chance said in a report.

"Proper structuring, documentation and sustainability impact [is] important not only to issuers and underwriters from a risk and reputational perspective, but also to the integrity of the sustainable bond market as a whole," the report said.

ICMA's principles say that SLBs (also known as KPI-linked bonds) should have five core components – credible KPIs that are material to companies' businesses and sectors; ambitious SPTs which stretch beyond business as usual; significant financial or structural changes in the bonds if targets are not reached; as well as verification and reporting.

Cribbing KPIs and SPTs from the sustainability-linked loan market has helped, but defining ambition, with reference to targets, is proving elusive.

"The relevance question is easily defined by looking at how the target is material to the company's operations, but what

is ambitious is a harder question," said Trisha Taneja, head of ESG advisory for capital markets at Deutsche Bank.

"Anything that is auditable will be the prime target," said Clare Burgess, a partner at Clifford Chance and one of the authors of the firm's report. "There is quite a big emphasis on data that have been published historically."

Greenhouse gas emissions are most commonly used as a KPI in the loan market, with the focus on CO2.

"I think carbon intensity is probably a relevant metric and there's certainly demand from investors to see more on diversity," Taneja said.

Other KPIs consider water and energy consumption, ESG ratings, carbon footprint, and gender and racial diversity. Renewable energy KPIs are gaining in popularity as they easily fit into corporate strategies.

ALTERNATIVE MECHANISMS

Possible mechanisms to vary bond pricing if companies fail to hit targets include donating a "sustainability premium" to charity or paying a premium into an account to help borrowers to improve ESG performance.

Using redemption prices, put options, tenor extensions or corrective plans are also under discussion, but some form of margin adjustment is deemed to be most likely.

Clifford Chance warns that SLBs face additional structural complexity that will increase preparation time and costs, and verifying reports will also add another counterparty into the mix. The additional challenge will be avoiding ambiguity.

"SLBs will embed sustainability concepts into the contractual terms of bonds in a way that has not previously been common to date," the report said. ■



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12 As the fight for the White House heats up, the prospect of tougher regulation under a Democratic president could hit Wall Street



15 Barclays makes a number of changes to its team working on sustainable and impact banking-related capital markets work



16 Investors are pushing for more transparency on ESG metrics in the opaque world of the US\$800bn private debt markets

FRONT STORY RESTRUCTURING

ABN AMRO slashes investment bank

Dutch bank to quit trade, commodity finance and US, Asia, Brazil

ABN AMRO is quitting trade and commodity finance activities and will wind down corporate banking in the United States, Asia, Australia and Brazil under a plan to shrink its investment bank. About 800 jobs will go.

The Dutch bank last week said its slimmed-down corporate and institutional banking (CIB) would focus on clients in Northwestern Europe and clearing globally. Clearing has strong roots in the Netherlands and analysts said ABN was a top three firm.

It is setting up a non-core unit for CIB, which will include about €14bn of risk-weighted assets, or 35% of CIB's total. The non-core arm will have about €18bn of client loans.

ABN said about 800 employees are currently dedicated to non-core activities and the wind-down of the businesses will take three to four years and be capital accretive.

"We have concluded that to be successful, CIB's activities need more focus and scale," said CEO Robert Swaak. "Furthermore, CIB will need to reduce risk to adhere to a moderate risk profile and will align to the bank's overall strategy and financial and non-financial ambitions."

ABN said in natural resources and transportation and logistics it would focus on European clients only.

Its only non-European corporate banking activities will be clearing, which the bank said it had de-risked after incurring a large loss earlier in the year.

Stricter lending criteria and credit limits have been set based on clients' individual credit rating, available collateral and geography of origin.

ABN has already cut its markets activities in recent years, including equities, rates, credit, currencies, equity capital markets and debt capital markets. The markets business largely serves clients in private

banking, commercial banking, CIB and treasury.

Several other European banks are reported to be rethinking their trade and commodity finance operations, including Natixis and BNP Paribas, after losses in energy trading.

ABN said about 80% of the CIB non-core portfolio would mature by 2023 through natural run-off. It said it would consider options to accelerate the wind-down. Stefan Nedialkov, analyst at Citigroup, said ABN's wind-down should be easier as it is mainly loans, rather than markets positions and derivatives. Its US non-core loans are mainly in oil, gas and energy with longer maturities, while the Asian book is shorter-term loans.

Analysts said the cost of restructuring CIB would dictate how much excess capital the bank can return to shareholders. ABN said there would be a €200m restructuring cost to compensate staff, a deferred tax assets writedown of €80m–€120m, and it expects another €400m provisions for non-core this

year, to add to a €1.4bn impairment allowance for the portfolio.

"CIB restructuring is likely to cost at least an additional €600m–€800m above the €680m–€720m already announced," said Citi's Nedialkov. "That could leave about €1bn–€1.2bn of capital to be released through 2023–24," he said, based on the €2.5bn of capital currently supporting the non-core assets.

GOING DUTCH

ABN has made several attempts to increase profitability and reduce risks in CIB after losses in the energy sector, but it said the attempts had been insufficient.

Swaak said the remaining core CIB business would remain based in Amsterdam and target markets where it has scale and can build on its profitable domestic franchise and regional footprint.

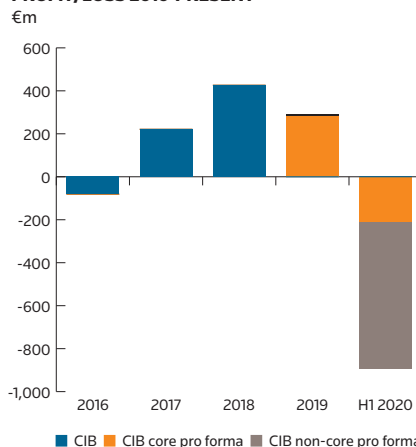
That is likely to focus on mid-sized clients in sectors such as financial institutions, shipping, technology, media and telecoms, and real estate, and on products, including lending, payments and asset-based finance, as well as the markets products.

ABN said it wanted the core CIB business to produce a return on equity of 10% in the long term. Its pro forma RoE was 9% in 2019 but was negative 12% in the first half of this year.

CIB made an operating loss of €894m in the first half – including a €209m loss for what will remain as core CIB – after an impairment charge of €1.4bn. In 2019, CIB made a profit of €291m – including €280m in the core business – on revenues of €1.9bn.

ABN was bailed out by the Dutch government in 2008 and was privatised in a 2015 initial public offering. The Dutch state still owns a 56% stake. Its shares jumped 8% on the day of the restructuring. Steve Slater

ABN CORPORATE AND INSTITUTIONAL BANKING PROFIT/LOSS 2016-PRESENT



Source: ABN AMRO results

“My aspiration is limited... I can certainly try, along with our partners, to make the top 100 bonds trade like equities”

BONDEVALUE CEO RAHUL BANERJEE, P17

Banks poised to take Trump loss in stride

Bank stocks went on a run after Donald Trump won the US presidency in an upset victory in 2016, on the expectation of corporate tax cuts and the potential rolling back of some of the most aggressive financial regulations of the past decade.

With the prospect of Trump losing to Democratic rival Joe Biden in November, bank stocks are mostly steady, with analysts predicting that high unemployment will keep Biden from raising taxes or moving quickly to tighten banking regulations.

But analysts said Wall Street could face some challenges in the longer term, including the threat of a financial transactions tax.

Biden last week chose California senator Kamala Harris as his running mate, passing up liberal firebrand Elizabeth Warren. The pick of centrist Harris further assuaged fears

that banks would be under the gun if Biden wins.

Warren, however, remains a wild card. From her perch in the US Senate, Warren is likely to wield considerable influence on financial regulation, especially if Democrats are able to seize control of the Senate. The party already controls the US House of Representatives, and if Democrats control both chambers, Warren would be in a position to push her regulatory agenda.

Warren sits on the senate committee on banking, housing, and urban affairs as well as subcommittees on financial institutions and consumer protection; economic policy; and on securities, insurance and investment.

FINANCIAL TRANSACTION TAX

Biden's choice of Harris as his vice-president is “modestly negative for financials”, Jaret

Seiberg, an analyst at Cowen Washington Research Group, said in a note.

Harris has previously proposed a financial transaction tax, taxing Wall Street stock trades at 0.2%, bond trades at 0.1% and derivative transactions at 0.002% to pay for an expansion of healthcare. While Biden has not committed to the idea, pressure from Warren and fellow liberal Bernie Sanders in the Senate increase the likelihood of such a tax if Democrats sweep in in November, said another bank analyst, who asked not to be named.

“The FTT is a concept that has gained traction among Democrats, and we expect that a Biden administration and congressional Democrats will push for some form of it if they win in November,” said KBW analyst Brian Gardner in a note.

“We see the selection of Senator Harris as a negative for financial stocks,” Gardner

At half-time, 2020 trader bonus prospects soar

After a banner first half in trading and underwriting, bankers are in line to see a significant bump in bonus pay for 2020.

Fixed-income traders could see bonuses for this rise between 25% and 30% from a year ago, according to consultancy **JOHNSON ASSOCIATES**, thanks to record trading profits on strong client activity and volatility.

Traders in equities are in line for a 15% to 20% boost in bonus pay, according to Johnson.

Johnson was reluctant to boost its estimates for banker pay after the first quarter, when it remained wary due to uncertainty on the impact of the coronavirus on bank performance.

But after a stunning second quarter for US and European banks, Johnson has upped its estimates.

FICC revenues from the big five US banks, including JP Morgan and Goldman Sachs, in the

April-June quarter jumped 95% from a year ago. At the seven largest European investment banks, including Barclays and UBS, FICC revenues were up 70% from a year ago on average.

The performance was so impressive it allowed most banks to beat analysts' earnings estimates in the quarter and fund hefty reserves for potential loan losses in consumer and commercial banking.

While the surge in trading has boosted banker pay prospects, most banks are expecting revenue to normalise in the second half of the year. The same could be true of underwriting.

In investment banking, bankers in debt and equity underwriting are in line to see bonuses for 2020 rise 15% to 20% from a year earlier.

But one area hurt by the pandemic has been global deal-making. Despite receptive

financing markets, companies have largely avoided closing major M&A transactions and that put bankers in advisory in a bind. This year's bonus for M&A bankers could shrink to between 10% and 15%, Johnson estimated.

Bankers in retail and commercial banking are facing the biggest hit, according to Johnson – a cut of between 25% and 30%. General bank staff and managers are facing cuts of between 15% and 20% in bonus pay this year.

Despite boosting expectations for bonus pay at investment banks, Johnson warned that targeted headcount reductions are expected to ramp up through this year and the first quarter of 2021 as banks try to cut costs to offset substantial credit loss provisions.

Philip Scipio

Who's moving where...



DEUTSCHE BANK has hired *Christina Too* and *Gordon Butterworth* as managing directors in its healthcare investment banking coverage and advisory team for EMEA. Too and Butterworth will be based in London and join in the autumn. They are tasked with deepening coverage of corporate and financial

sponsor clients, particularly for pharmaceuticals, medical devices, healthcare services and IT. Too joins from Nomura, where she led the European healthcare team after previously working at Lehman Brothers and Dresdner Kleinwort.



WELLS FARGO's chief compliance officer *Mike Roemer* is leaving the bank as part of a big overhaul of its risk functions. Roemer joined in January 2018 and will be replaced by *Paula Dominick*, who will join as CCO in October from Credit Suisse, where she was most recently CCO of

its US business. She previously worked at Bank of America, Goldman Sachs and Morgan Stanley. The US bank appointed five other people to senior risk roles to strengthen oversight of all risk-taking activities.

said. He added that she was “among the more negative possible candidates for financial stocks”, citing her FTT proposal, her aggressive negotiations with banks as California Attorney General in settlement talks regarding the foreclosure crisis, and her opposition to the 2018 bank deregulation law.

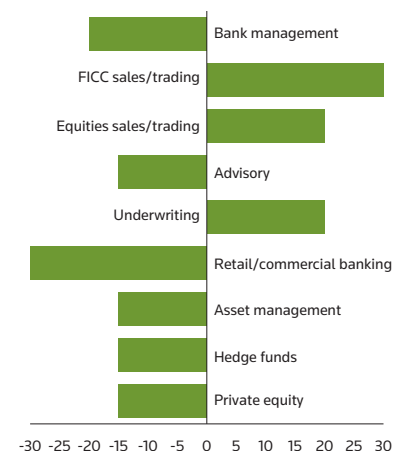
“We expect that financial stocks ... will sell off later this summer if it looks like a Biden win is likely,” Gardner predicted.

“In our opinion, investors’ fear that the Elizabeth Warren wing of the Democratic Party could be in charge of financial regulation will weigh on financial stocks unless there is a signal that a Biden administration will be led by centrists rather than progressives.”

Cowen analyst Seiberg said Harris is also likely to advocate for increased enforcement actions by the Consumer Financial Protection Bureau, a bureau largely crafted by Warren under former President Barack Obama.

Philip Scipio

PROJECTED BONUSES FOR 2020; % CHANGE AT OUTER END OF RANGE



Source: Johnson Associates, headcount adjusted

NatWest Markets revamps capital markets

Jonathan Peberdy has been appointed as interim head of capital markets at **NATWEST MARKETS**, a new unit created to simplify its business as part of a broad restructuring of the investment bank, according to sources familiar with the matter.

NatWest Markets’ financing and risk solutions (FRS) unit has been revamped after the departure of *Scott Satriano*, who had run the unit since 2015.

Other recent departures include *Kieran Higgins*, head of trading, and *Oliver Cooke*, who was only appointed as chief digital officer in September last year.

Syndication, origination and structuring, which were all previously part of the FRS business, will now all sit under the primary capital markets umbrella headed by Peberdy, the sources said. Peberdy previously ran global syndicate.

NatWest Group, formerly called Royal Bank of Scotland, in February announced a major restructuring of its investment bank under new CEO Alison Rose. NatWest Markets is set to be halved in size.

Capital markets is the umbrella over two areas: primary capital markets and private financing.

Primary capital markets will include flow credit syndicate, financial institutions and SSA origination and private credit.

The flow syndicate will be headed by *Chris Agathangelou* and incorporates financial institutions, corporates, liability management, MTNs and commercial paper.

Financial institutions, DCM origination and advisory as well as SSA origination continue to be run by *James Marriott*.

It will also include private credit syndicate, headed by *Miles Hunt* and comprising securitised products, alternatives, leverage finance and loans.

Philippe Bradshaw remains head of syndicate for NatWest NV, the bank’s operation in Europe.

The private financing arm of capital markets will comprise secured and unsecured markets and is being led on an interim basis by *Stuart Connell*.

Rob Busby runs US private placements and *James Tayler* heads US origination and syndicate.

NatWest’s UK corporate team will move to the commercial bank, while the European team will remain in NatWest Markets, though the bank is still working through details of changes.

The bank’s leverage finance origination business is already in the commercial bank.

On the public side, the bank has appointed *Ian Donaldson* as interim head of customer sales. Donaldson previously headed flow sales for EMEA and APAC at the bank.

On the trading side, *Simon Manwaring* and *David Henness* have been appointed interim co-heads of trading. Manwaring is also head of currencies trading and digital businesses and Henness is head of fixed income (rates and credit) trading.

Peberdy, Donaldson, Henness and Manwaring all report to Robert Begbie, who was appointed as NatWest Markets’ chief executive in June.

Helene Durand

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Mayooran Elalingam has been promoted to head of investment banking coverage and advisory for **DEUTSCHE BANK** in Asia-Pacific.

Elalingam, who has run the bank’s M&A advisory business in APAC since 2013, will have oversight of origination and

advisory efforts in the region alongside *Haitham Ghattas*, who heads capital markets for APAC. The changes are the first major shake-up to investment banking leadership in the region since *Alexander von zur Muehlen* took over as APAC CEO last month.

William Blair

Boutique investment bank **WILLIAM BLAIR** has hired *Arthur van der Goes* as a managing director in consumer and retail investment banking. Van der Goes will be based in Amsterdam and focus on food and beverage. He joined from Rabobank, where he was most recently

in its food and agriculture M&A team. He was previously with ING, working in Amsterdam, New York and London, advising clients on corporate finance transactions across various industries.



Bellwether

Bellwether: *n.* From the practice of placing a bell around the neck of a castrated ram so that it might lead its flock

AFTER DAVID SOLOMON'S brush with the authorities during his DJ gig in the Hamptons, the Goldman Sachs CEO has introduced a self-imposed lockdown and has put live events on hold for the “foreseeable future”, according to a spokesperson for the bank.

The question is whether DJ D-Sol will hang up his headphones for good.

Solomon has said his music gig is an enjoyable outlet that helps him connect with Goldman's younger generation. But his detractors might argue that's a bit like a dad saying he dances at weddings in order to stay young. And it hasn't gone unnoticed.

A report in the New York Times said some of Goldman's directors raised concerns last summer about “the optics of his hobby”, and “suggested that golf might be a better alternative”. Alas, Goldman's problems over the years have had more to do with their core business than the hobbies of their CEOs.

GOLDMAN'S DIRECTORS CAN rest easy – DJ D-Sol has a way to go if he is to attain the edginess of Wan Kuok Koi, who has been appointed as chairman of Malaysia-based investment holding Inix Technologies Holdings Berhad.

Wan Kuok Koi is a former convicted Triad leader also known as Broken Tooth. The company's board said “being a leading business person” with his “expertise and experience”, Wan will be able to generate new sources of income and take Inix to greater heights.

It's an impressive turnaround that suggests Wan has been rehabilitated after his spell inside. Wan was released from jail in 2012 after serving 14 years for organised crime charges, and he has been involved in projects including cryptocurrency e-commerce, hotels and casinos. Go back a

few years and Goldman would probably have snapped him up – either as a client, or as head of prop trading.

DESPITE THE OUSTING of Commerzbank's CEO and chairman, shareholder Cerberus is still not happy. When Commerzbank appointed Hans-Joerg Vetter as its new chairman, Cerberus emailed members of the bank's supervisory board to say it had “serious doubts” that the new man was the right person for the job.

Instead, Cerberus said it had identified “at least two candidates who have the required qualifications to fill the role of chairman and secure the confidence of all key stakeholders”.

It's important to point out that Cerberus made its bold claim before Covid-19 made a mockery of school exam results and made it impossible to judge what qualifications are relevant for anything anymore.

Besides, back in 2015, when Vetter was in his previous job running publicly-owned Landesbank Baden-Wuerttemberg, he complained that central bank stimulus meant risk was no longer priced in and the equity and bond markets were experiencing “the mother of all bubbles”. Five years on and despite a global pandemic, that assessment still holds some relevance. So perhaps he's the right man for the job after all.

NEWLY INSTALLED ABN AMRO CEO Robert Swaak isn't messing about. The former chairman of PwC in the Netherlands only joined in April and now he is slashing its investment banking operations after years of expansion by his predecessors.

Swaak's decisive move has reheated speculation that the Dutch bank could be being prepared for a merger in a move that could kick-start European bank consolidation.

Sound familiar? It would take a reckless CEO or a brazen M&A banker to entertain such a prospect. Fortunately, Fred Goodwin has retired and Andrea Orcel isn't currently in work, so we can all rest easy – for now. ■

Who's moving where...

■ **PJ SOLOMON** has hired two new bankers to bolster its investment banking coverage of financial sponsors and the TMT sectors, a source told Reuters. The New York-based bank has recruited *Sash Rentala* from Moelis & Co and *Kristin Allen* from Credit Suisse, the

source said. Rentala will lead PJ Solomon's newly formed financial sponsors group, and Allen will be a managing director in its TMT group.

■ **CREDIT SUISSE** has hired former Petrobras CEO *Ivan Monteiro* as the investment bank's vice-chairman in Brazil. Monteiro previously worked as a high ranking executive at state-run Banco do Brasil. Monteiro was also previously finance director at Petrobras,

which he joined in 2015 after working at Banco do Brasil from 2009 to 2015 as vice-president of the financial management and investor relations.

■ *Duncan Mann* has joined **JP MORGAN** from Credit Suisse as head of financial sponsors and co-head of industrials coverage for Australia and Zealand. Mann will co-head industrials coverage alongside Seth Schwartz, who took over as head of industrials coverage

after Jeremy Larkin's departure last year. Mann was with Credit Suisse for just over 18 months as head of financial sponsors and responsible for industrials coverage for Australia and New Zealand. He previously worked at Deutsche Bank and UBS.

Barclays moves bankers to bolster ESG team

BARCLAYS has appointed *Amit Chandra* to lead sustainable and impact banking (SIB) for equity capital markets in the Americas, as part of several additions to its team working on environmental, social and governance-related capital markets work.

The changes include managing director and director appointments in equity and debt capital markets and advisory.

Barclays created the SIB team late last year, with the aim of advising emerging and growth companies on sustainable growth strategy and finance.

Chandra's team will be identifying and originating equity solutions for companies whose businesses are focused on solving environmental issues. Chandra will

continue in his role as Americas head of natural resources within ECM.

Barclays said *Greg Cass* and *Atul Jhavar* would run green, social and sustainability debt financing business for investment-grade clients in the Americas and Asia-Pacific, respectively.

They join the team led by Susan Barron, global head of green and sustainable capital markets, and will work with DCM and fixed-income syndicate teams in their regions to originate, structure and execute ESG debt products.

To target the non-investment-grade market, *Alex Dyroff* and *Eldar Pius* will serve as ESG ambassadors in the leveraged finance business in the Americas and in Europe and the Middle East, respectively.

Justin Peagram has moved to the SIB team with a focus on sustainable energy and other emerging growth areas. Barclays said he would lead efforts to identify and cover companies whose businesses and platforms span clean energy, from new technologies to energy transition. Peagram was a managing director for 13 years in the natural resources banking team.

"These appointments will provide significant expertise and focus for our clients on ESG topics," said Joe McGrath, global head of banking. "Barclays has clear guidelines and targets in place for our work, to reduce significantly the impact that finance has on climate change."

Steve Slater

Origin heads into digital docs for MTN market

The effort to streamline and simplify capital markets is leaving no sector untouched and in the MTN market it is **ORIGIN** that appears to be leading the way.

While the market for benchmark issuance has myriad players pitching products to buy and sell-side participants, Origin dominates the landscape for medium-term notes, or MTNs.

And while the company is not focused solely on MTNs – it is active in the Asian CD market, for example – this is where it began and where much of its attention remains.

Origin has soft-launched Origin Documentation to 11 dealers and 16 issuers, before a wider release scheduled for the coming months.

The new tool could be crucial for streamlining one of the major bottlenecks in the issuance process: documentation.

"Many market participants remark to us how the MTN business is a surprisingly 'admin-heavy' business," said Raja Palaniappan, CEO and co-founder of Origin.

"The fun stuff is the stuff before – having the creativity to identify a trade opportunity, either because of a cross currency opportunity or a unique investor relationship/need, and being able to match issuer and investor."

The platform's term sheet generator can draft standardised term sheets across fixed income products, structures, and currencies. Template post-trade documents can be automated.

"The focus of this soft launch is specifically on documentation, helping users draft and approve term sheets and final terms," said Palaniappan.

RIGHT PLATFORM, RIGHT TIME

The MTN market and its participants are facing particular challenges. Low interest

rates have made the cost benefits of privately placed transactions less obvious compared with public benchmark issuance.

Because of this, dealers active in the market have a strong incentive to try to cut costs from automation.

"Given the challenges the business has faced in recent years, we have seen many banks very motivated to explore automation in this business, as it is their only chance to maintain a presence in the market profitably," said Palaniappan.

Origin has 20 dealers and almost 90 issuers as users. On the dealer side, ABN AMRO, Barclays, Citigroup, Credit Agricole, Danske Bank, Daiwa, Deutsche Bank, LBBW, Nomura, SEB and UBS are participants in the documentation soft-launch.

Ed Clark

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■ **ASSET MANAGER**
SCHRODERS has appointed *Nicole Kidd* to the newly created role of head of private debt for Australia, starting on September 1. The Australian private debt team reports to Simon Doyle, head of fixed-income and multi-asset. Kidd will also report to Georg

Wunderlin, global head of private assets. Schroders said the bank debt market in Australia is becoming increasingly disintermediated, providing opportunity for institutional investors. Kidd was previously at RBC Capital Markets for 13 years.

■ **BERENBERG** has hired *Juergen Buescher* and two other senior professionals as it expands its currency overlay business. Currency overlay sits within the investment and risk management solutions business and Berenberg wants to increase AUM in the unit by at least 50% to

more than €11bn this year. Buescher will join in September from currency and asset management specialist QCAM, after previously working for Deutsche Bank and ABN AMRO. *Jonathan Roberts* joined Berenberg in London this month from UBS. *Marcus Fernandes* joined in March.

■ Brazil's former treasury secretary, *Mansueto Almeida*, will become chief economist at investment bank **BTG PACTUAL**. BTG said Almeida will start in January and become a partner.

■ Investor *Fredric Zaino*, who spent 15 years at hedge fund Millennium Management, has launched New York-based **KEYSTONE CAPITAL PARTNERS**. It will invest in micro, small and mid-cap public and private companies focusing on biotech, real estate and consumer products, Reuters reported

“We expect that a Biden administration and congressional Democrats will push for some form of it if they win in November”

KBW ANALYST BRIAN GARDNER ON THREAT OF FINANCIAL TRANSACTION TAX, P12

ESG data drive under way in private debt market

The need for improved disclosure around ESG metrics is shining a light into the opaque world of the US\$800bn-plus private debt markets, as investors push for greater clarity and transparency to meet stiffer regulatory reporting requirements.

The EU's Sustainable Finance Disclosure Regulation will come into force from March 2021 and is providing a powerful incentive for the public and private debt markets to improve ESG reporting, as financial advisers will have to give investors ESG information to allow sustainable investment.

Little ESG data has been seen for privately owned companies to-date, and smaller firms with sub-investment-grade credit ratings are lagging behind larger listed blue-chip companies, which already have sophisticated corporate social responsibility programmes in place.

“Private companies might start to see increased demand for information, particularly as funds that are more transparent about green and ESG disclosure become more competitive to the end customer and asset owner,” said Trisha Taneja, director and head of ESG advisory at Deutsche Bank.

Data providers are starting to target this low-profile and previously impenetrable part of the market. Apex Group, a financial services provider, is starting to collect, standardise and

benchmark information on portfolio companies to drive an improvement in ESG standards and capital allocation.

“Allocators now invest based on ESG profiling and are calling for greater transparency and insight into the ESG credentials of the previously opaque private markets,” said Andy Pitts-Tucker, managing director at Apex ESG, ratings and advisory.

“GETTING DUCKS ALIGNED”

Apex is launching a new ratings and scoring service that will give real-time ESG portfolio analysis to private companies and their investors by collecting data from its clients, who are typically private equity firms but includes other asset managers and investors.

Private equity firms need to collect ESG data to monitor their portfolio companies and report to stakeholders, who want data on the investment managers they have invested in as well as their portfolio companies.

“There's a need for investment managers to get their ducks aligned before 2021,” Pitts-Tucker said.

Unlike other ESG ratings services, which use artificial intelligence to collect data already in the public domain, Apex is collecting data directly from major shareholders on their portfolio investments, which is otherwise almost impossible to come by.

Black box analysis will allow clients to make external comparisons and benchmark across peers and sectors for portfolio companies rather than relying on internal comparisons alone. It will also allow asset managers' ESG performance to be compared.

The analysis looks at the sustainability of companies' business models and identifies where companies are falling short on 12 key global standards, including the EU taxonomy, Task Force on Climate-related Financial Disclosures and SASBE.

However, it could also potentially be used to create value or turn down investments on the basis of ESG data, and even potentially avoid ESG-related litigation.

“We believe that all equity and debt investment decisions will soon evaluate the ESG profile of private companies before investments are made,” said Peter Hughes, founder and CEO of Apex Group.

The work will help smaller privately owned companies to form ESG strategies, including single-use plastics and diversity metrics to comply with global standards, and initial data suggests more work is required to generate environmental data to meet regulatory or compliance needs.

“All portfolio companies can produce data on governance and a reasonable amount of social data. Right now, unless companies are in environment-focused sectors, the ‘E’ part is where there's a lack of data,” Pitts-Tucker said.

Tessa Walsh

Asia misses environmental opportunity with Covid response

Too many countries in the Asia-Pacific region have failed to grasp the chance to reach for the environmental reset button in response to the Covid-19 pandemic, according to research from ING.

Reduced movement and the sudden economic slowdown have delivered a big drop in pollution levels, with smog disappearing from cities, and fish and other aquatic life returning as rivers cleared.

“With most of our economies likely to look very different when we finally emerge from social distancing, this is being seen by some countries and regions as a once-in-a-lifetime opportunity to lock in these environmental gains,” said ING in a report.

But Asia's failure to utilise the large-scale fiscal measures to reposition economies onto a greener and more sustainable footing represents a wasted opportunity, with most

choosing to follow traditional stimulus measures.

“The fiscal rule books have been ripped up, and cost can no longer be cited as an excuse for inaction. This isn't quite a clean slate for a total rethink of our economies, but it is probably the closest thing to that we will ever get,” said ING.

APAC is the largest carbon emitter by region, accounting for 47% of total global emissions compared with 15% from the US and 9% from the EU.

Perhaps more worryingly, while the US and EU have reduced their carbon emissions since 2000, by 10% and 18% respectively, the APAC region's emissions have grown by 125%.

CHINA FAILS

Since 2000, China's carbon emissions have roughly doubled and currently account for more than a quarter of the global total.

The lockdown in response to the pandemic caused a significant reduction in air pollution in China as major cities ground to a halt, but the recovery has seen it make a swift return.

CO2 emissions rose by 4%–5% year-on-year in May 2020, according to carbonbrief.org, with the biggest driver a 9% rise in thermal power generation and in cement output. China also approved plans for new coal power plant capacity at the fastest rate since 2015, ING said.

“In short, it looks as if the government found it difficult to ignore the quick economic benefits of producing more electrical power from coal and more cement for construction to get the economy moving again, in spite of its greener ambitions.”

By contrast, the EU's €1.82trn response earmarks 30% of the package for climate protection and says all spending must contribute to EU emissions-cutting goals.

The bloc plans to issue roughly a third of the €750bn recovery fund as green bonds, which would make the EU the biggest issuer globally and nearly double the size of the market.

David Cheetham

Jarden partnership with CS ends

Kiwi start-up boutique **JARDEN** has ended its strategic alliance with **CREDIT SUISSE**, bringing to a close a 30-year partnership between the two firms.

Jarden and Credit Suisse agreed to sever ties only a few months after Jarden announced it was expanding into Australia, prising away some of the country's top bankers in the process.

Jarden, which was bought out by the firm's management from Credit Suisse in 2002, previously had an agreement with Credit Suisse whereby it would cut the Swiss lender in on deals in New Zealand by Australian issuers and vice versa.

"Credit Suisse Australia and Jarden jointly announced today that both organisations have

agreed to exit our formal strategic alliance, given the evolving strategic priorities of both firms. There will be an orderly transition over the coming months," Credit Suisse said on Friday.

Jarden announced plans in May to expand into Australia and hired Robbie Vanderzeil, who retired in March after 25 years at UBS, most recently as chairman of investment banking in Australasia, as Australia CEO.

He was joined by fellow UBS alumni Dane FitzGibbon, formerly co-head of equity capital markets in Australia and New Zealand, and John Spencer, who ran the ECM syndicate Down Under. Sarah Rennie, who recently stepped down from Goldman Sachs, where she was head of ECM in

Australia and New Zealand, also joined the firm.

The calibre of Jarden's hires sent shockwaves through Australia's investment banking community, which is no stranger to seeing boutique firms being launched Down Under.

Jarden has since then been adding to its ranks including most notably Aidan Allen, who previously served as UBS's co-head of Australia and New Zealand investment banking.

It also landed its first Australian client, advising Home Consortium on its A\$140m (US\$100.1m) institutional share placement last month alongside Goldman Sachs.

Credit Suisse had advised on the property owner's A\$300m IPO alongside Goldman Sachs and JP Morgan the year before.

Thomas Blott

Blockchain bond exchange debuts

Singapore-based fintech start-up **BONDEVALUE** went live on Wednesday on what it claims is the world's first blockchain-based bond exchange.

BondEvalue said the first bond traded on the BondbloX Bond Exchange (BBX) was food and agri-business Olam International's 4.375% US dollar bond issue maturing in 2023 at a price of 100.25.

The US\$8,000 trade took place between a Singaporean citizen and a Singaporean permanent resident. Northern Trust was the custodian.

UOB Kay Hian and multi-family office Taurus Wealth Advisors both joined as members of the exchange.

BondEvalue's founder and CEO Rahul Banerjee said the company, which was launched in 2016 and is best known for

providing bond prices and news for investors, would be onboarding more members in the months to come and would start by facilitating trading in 100 of the most liquid bonds.

"My aspiration is limited. I think there are eight million bonds in the world. I can't make all of them liquid. But I can certainly try, along with our partners, to make the top 100 bonds trade like equities," Banerjee told IFR.

"Think of it like the Dow Jones Industrial Average; it has the 30 biggest stocks. We want to list the most popular hundred bonds."

According to Banerjee, bonds traded on the platform will include Singapore dollar and US dollar-denominated issues, typically in the Triple B to Double B range, due to the high demand among investors for these types of assets in their search for yield.

BBX allows investors to trade bonds that have been converted into fractionalised assets of US\$1,000, much like depositary receipts in the equity markets, so they can be traded among a wider group of retail investors.

"If you have less than US\$5m, it's very hard for you to build a diversified bond portfolio if only because bonds are usually traded in unit sizes of US\$200,000 or more," he said.

"By breaking bonds into blocks, we allow others to have a diversified fixed income portfolio. Someone coined the term HENRY, meaning high earnings, not rich yet. The aim is essentially to service the financial needs of these people."

Banerjee also said that the fact that the blockchain technology allows settlement to take place on a T+0 basis, would also make BBX attractive to investors.

Thomas Blott

UKML rejects increased offer from M&G fund

UK MORTGAGES LTD has rejected an increased offer for the company from **M&G INVESTMENT MANAGEMENT** (MAGIM), which wants to grab UKML's mortgage assets for its own M&G Specialty Finance Fund.

MAGIM announced its increased final possible offer of 70p per share on Thursday, after offering 67p in July. UKML's share price is currently 65p.

UKML is a closed-ended investment company set up and managed by **TWENTYFOUR ASSET MANAGEMENT**. It buys and securitises UK residential mortgage portfolios, as does the M&G fund.

But MAGIM says UKML's mortgage assets would perform better in a private fund than in a listed company structure, given the

associated costs and constraints of the latter.

And it says UKML's reported net asset value does not reflect the true value of the company. It argues that a volatile RMBS market now makes financing more expensive, and asset quality is impacted by the government's payment holiday scheme for mortgages as well as a deteriorating macroeconomic environment.

The UKML board rejected that and said MAGIM's offer undervalues the company. It said large numbers of borrowers who took up mortgage holidays are now making payments again rather than extending their holiday period for another three months.

It also predicts RMBS spreads will continue to perform during an upcoming lull in further issuance: most regular non-bank

issuers have already come to market and will need time to rebuild their stocks of loans. And RMBS new issuance from banks and building societies is likely to remain low because those lenders have a cheaper financing option through the Bank of England's TFSME scheme.

UKML had been a high-profile victim of the securitisation market shutdown at the peak of the coronavirus pandemic when it chose to extend its UK RMBS Oat Hill No. 1, which had its call date in May.

But it successfully refinanced the deal with a new RMBS three months later after joining the wave of non-bank issuers that hit the market in July.

Chris Moore

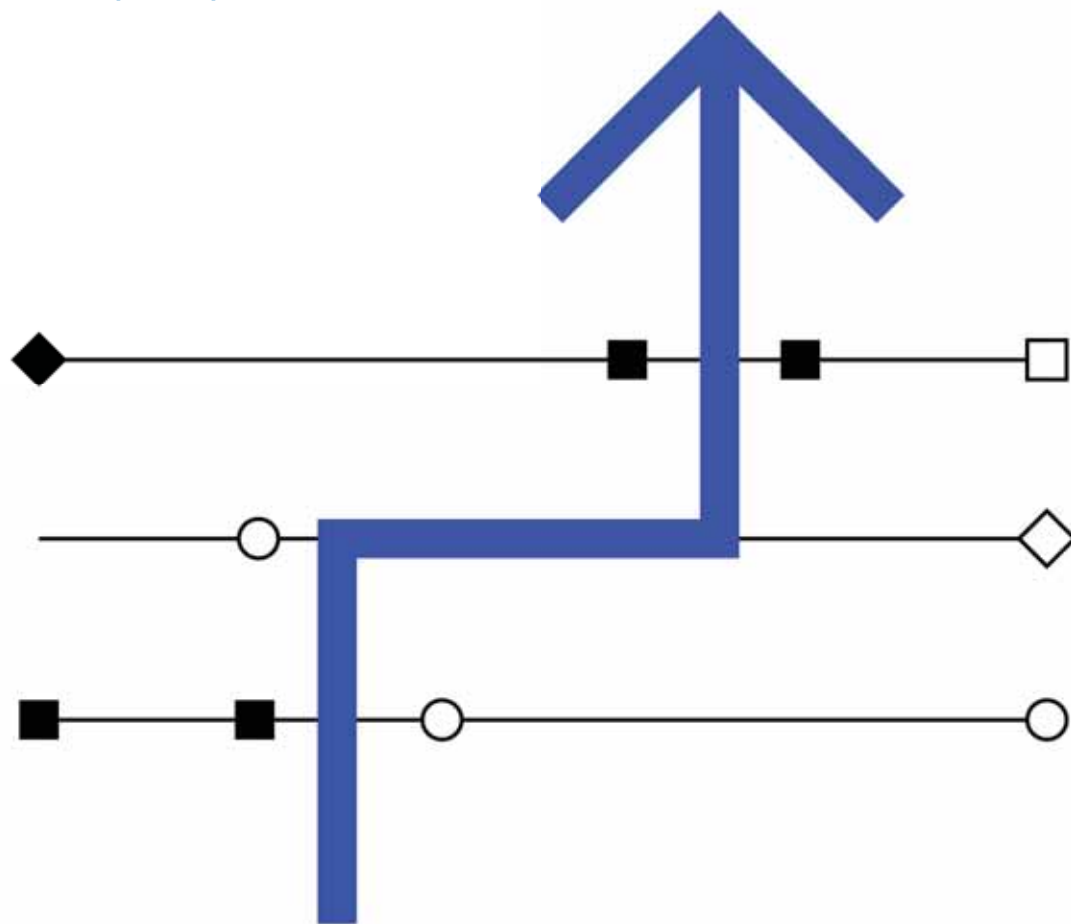
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■ FRONT STORY US HIGH-YIELD

US junk bond issuance surges past 2019

More supply expected from Double B and Single B credits

US high-yield bond supply for the year so far reached US\$284.829bn as of August 13, surpassing the amount raised during the whole of 2019 as borrowers shore up their balance sheets and investors show huge appetite for credit in a low-yielding environment.

Last week saw US\$19.7bn of issuance through to Thursday, headlined by large debt offerings from **OCCIDENTAL PETROLEUM**, **FORD MOTOR CREDIT**, **ALBERTSONS COMPANIES** and **WINDSTREAM**.

The deals priced during the week took year to-date issuance well past the full-year amount raised in 2019, which was US\$273.425bn.

The highest ever annual issuance was in 2012, when US\$336.549bn was sold, according to IFR data.

Supply has been busier than normal during the summer as credit spreads have moved tighter in step with rates, albeit there was a big sell-off last week in fixed income as the yield on the 10-year Treasury moved to 0.72% at one point on Friday from 0.54% on Monday. A couple of big auctions

by the Treasury department and improving labour data were behind the move.

Still, conditions are attractive for borrowers that are largely issuing to refinance debt.

"Every CFO with a memory knows you issue when you can, not when you want to," said Leland Hart, co-CIO of Alcentra. "Not only do borrowers have access to capital, to put cash on the balance sheet or refinance debt, but they can do it at meaningfully lower rates."

This month has already become the busiest August on record, and is on track to be one of the busiest months of all time, according to IFR data.

CreditSights expects to see more borrowers continue to front-load issuance for refinancing purposes "with a big pop in the BB and B tiers".

And there is no shortage of demand. With cash continuing to flood into funds chasing returns in a low-yield environment, issuers such as **BALL CORP** have been able to price deals at record low coupons despite uncertainty over the recovery of the

economy and the trajectory of Covid-19 (see Top News for more).

"Issuers are paying less of a toll to access the market than they were three or four months ago," said Hart. "In the tug of war between the impact of Covid on fundamentals, and the strong arm of the Federal Reserve on technicals, right now the Fed is winning."

Demand has been strong both because of technical factors and increasing confidence in the Double B and Single B rated names that have dominated supply in recent months.

"While there is still a tail risk regarding Covid-19 generally, the degree of that tail risk has narrowed substantially," said Matt Toms, CIO of fixed income at Voya Investment Management.

"Higher-quality instruments have a narrower tail to worry about," he said. "The Triple C component needs strong economic growth and is an area that we think has a worse return profile than Single B. We have favoured staying away from Triple C and playing up into Single B."

David Bell

UK MBA prepares for ultra-long sterling benchmark

Second issuance from council agency on behalf of Lancashire

The **UK MUNICIPAL BONDS AGENCY** has moved towards a return to the sterling market to raise funds on behalf of Lancashire County Council, five months after making its debut.

Investor calls began on August 12 arranged by *Bank of America*, *Barclays* and *HSBC* with a NetRoadshow presentation also made available.

The UK MBA is looking to offer a fixed-rate ultra-long-dated sterling benchmark that is senior unsecured debt guaranteed by Lancashire County Council, rated Aa3 (negative) by Moody's.

Due to the nature of the deal, there is some discussion as to whether it falls into the SSA or corporate category.

"In terms of positioning, it's more like an SSA credit," said a banker on the deal. "But in terms of who can look at it, it's not only rates investors. In theory, there will be a decent pick-up over Gilts, so credit investors

will also likely be having a look."

The agency, which was set up in 2014 as a vehicle for councils to come together to sell bonds in benchmark size through a system of cross guarantees, has seen little market activity, with its only other issuance a £350m five-year deal in March.

Similar to the proposed trade, that transaction was guaranteed by Lancashire County Council alone and required the UK MBA to revise its framework agreement, which previously had no provision for standalone guarantees.

The debut deal came after the UK government increased the cost of borrowing from the Public Works Loan Board last year, hiking rates by 100bp in a bid to rein in the explosion in borrowing from councils in recent years.

The UK MBA, set up by 56 local authorities, was created to help wean local authorities off

the PWLB and shift towards more disciplined borrowing.

Its aim is to "diversify the funding sources available to local authorities, reduce reliance on the PWLB and enable investors to more easily fund UK local authority infrastructure".

Lancashire, as one of the most indebted councils in the UK, with almost £1.2bn of debt, according to the latest figures released in March, remains the only council to have ventured down this path despite a long history of indicated deals from others that have ultimately failed to transpire.

"Not only do they need the money, but they are more prepared and able to mobilise faster than other councils in order to take advantage of the MBA and diversify their funding source away from HMT," said the banker.

"They are just more advanced than other councils, but others will come at a later stage."

David Cheetham

Aussie RMBS shrugs off lockdowns

Regional exposure in focus as Melbourne crisis deepens

PEPPER GROUP underlined the resilience of Australia's RMBS market amid the Covid-19 crisis with an upsized A\$1bn (US\$712m) deal that played down the impact of an ongoing lockdown in Melbourne and regional Victoria.

Pepper's latest non-conforming RMBS offering, PS27, which has a 30.0% allocation to mortgages in Victoria, doubled its original target and was priced at tighter spreads than the non-bank lender's previous RMBS issue on June 10.

Like all RMBS sales since June 18, Pepper did not require any direct help from the Australian Office of Financial Management's A\$15bn Structured Finance Support Fund introduced in March, though the AOFM's secondary market purchases have given existing investors more room to buy new Pepper bonds.

Appetite from investors, especially overseas buyers, has been underpinned by the country's enviable record in handling the Covid-19 pandemic, but that success is under threat from an alarming outbreak in Melbourne, Australia's second-largest city.

The Victoria state capital has been under stage four lockdown restrictions since August 2, at a huge cost to the local economy. The measures, which include an 8pm to 5am curfew, will last at least until September 13.

With the rest of Australia remaining open, Melbourne and Victoria, the country's second-most populous state, face a weaker GDP outlook, higher unemployment, rising mortgage arrears and, potentially, more defaults.

This raises the possibility that RMBS with higher mortgage pool weightings in the impacted region could eventually require a premium, particularly among riskier subordinated tranches.

REGIONAL BIAS

The four major banks all have similarly diverse portfolios of mortgages across Australia, even though two – ANZ and NAB – are headquartered in Melbourne and the other two – CBA and Westpac – in Sydney.

Regional banks and non-bank lenders are a different matter, however, since many have narrower footprints.

For example, Bendigo and Adelaide Bank's Torrens prime RMBS programme has an average 41.9% allocation to Victoria, including 57.1% for the Torrens Series 2019-2 Trust. This is well above the average Victoria prime weighting of 24.8%, according to S&P's latest quarterly update.

In contrast, the Bank of Queensland 2019-1 REDS RMBS has only a 18.6% weighting in Victoria, far lower than its 37.8% Queensland allocation and 29.2% for neighbouring New South Wales.

In the non-conforming segment, the average Victoria allocation was 35.4% as of March 31 2020, whereas Melbourne-based non-bank lender La Trobe has an average 45.2% weighting in the struggling state, including 49.7% for La Trobe 2019-2 Trust.

Sydney-based Pepper's existing non-conforming RMBS have a below-average 30.7% Victoria allocation.

One syndication manager believes it is far too early to suggest regional premiums will soon be on the agenda, however.

In particular, he points to the government scheme introduced in March, which allows Australians who lost their jobs or are struggling with their finances due to Covid-19 to pause their mortgage repayments for six months. This has recently been extended until January 2021 for those who need continuing support.

Another supportive factor is Australia's widespread use of lenders mortgage insurance (LMI), which protects the lender from financial loss if the borrower fails to meet repayments.

There have been regional stresses in Australia before, including the catastrophic flooding in Queensland in 2011. This led to an uptick in prime and non-conforming mortgage arrears of greater than 30 days, which reached a peak of 2.17% in May that year, according to S&P data.

More recently, the end of the mining investment boom led to a spike in arrears in Western Australia, with 3.10% of mortgages overdue by at least 30 days in April 2019.

But both levels are well below the minimum 8% credit enhancement required for Class A notes in prime RMBS.

Non-conforming RMBS arrears are inevitably far more commonplace than prime levels, coming in at around 4.5% nationally at the end of Q1 2020, according to Moody's, versus less than 2% for prime mortgages.

But senior non-conforming RMBS tranches come with much larger credit support levels, typically of 30% or more.

"Non-conforming RMBS and junior notes pose higher risk than prime deals and senior notes," Moody's said in an in-depth report on June 22. The agency, nevertheless, is relaxed about future performance.

"Australian RMBS have liquidity reserves or facilities and principal-to-pay-interest mechanisms, which materially reduce risks from coronavirus-related loan payment deferrals," the report said.

"Australian RMBS also benefit from credit enhancements in the form of excess spread and note subordination, which protect notes from losses if loan defaults increase because of coronavirus disruptions."

John Weavers

WEEK IN NUMBERS

0.727%

■ THE YIELD THAT 10-YEAR TREASURIES PEAKED AT LAST WEEK, HAVING BEEN AS LOW AS 0.50% THE WEEK BEFORE, AS THE TREASURY SOLD A RECORD US\$38bn IN 10-YEAR NOTES AND A FURTHER US\$26bn IN 30-YEAR BONDS

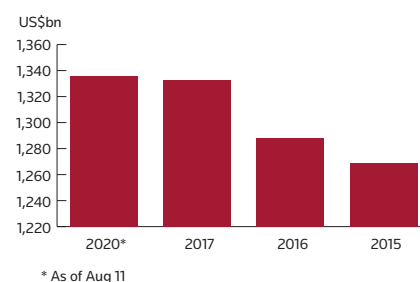


62%

■ THE PERCENTAGE OF INVESTORS OVERWEIGHT CREDIT, ACCORDING TO BANK OF AMERICA'S MONTHLY SURVEY, THE HIGHEST ON RECORD. "INVESTORS SAY FINANCIAL REPRESSION IS TOO POWERFUL TO FIGHT AGAINST"

US\$1.336.61trn

■ THE AMOUNT RAISED IN THE US HIGH-GRADE MARKET THIS YEAR BY THE AUGUST 11 CLOSE AS ISSUANCE VOLUMES HIT A NEW ANNUAL RECORD. THE PREVIOUS RECORD WAS IN 2017



£28bn

■ THE CREDIT LOSSES THAT THE UK'S LEADING BANKS MIGHT EXPERIENCE FOR THIS YEAR, ACCORDING TO FITCH, AFTER REPORTING A HIGHER THAN EXPECTED AMOUNT IN THE SECOND QUARTER

€1.66bn

■ THE AMOUNT OF CORPORATE BONDS THE ECB BOUGHT (NET) IN THE WEEK TO AUGUST 7 AS PART OF ITS CSPP COMPARED WITH €7m THE WEEK EARLIER
In total, it has bought €43.264bn

SSAR

US DOLLARS

KOMMUNINVEST PIQUES INTEREST WITH US DOLLAR REPEAT

KOMMUNINVEST printed a long two-year US dollar issue on the back of robust demand, allowing it to upsize in a repeat of its last offering some two months ago.

"It's always a little bit of a leap of faith doing a deal in the second week of August, when there may still be a few people on holiday," said a lead. "But we had confidence that the main guys would be around, and that's really played out."

The US\$1.25bn Reg S/144A December 2022 was Kommuninvest's third dollar benchmark of the year and, like its earlier offerings, drew keen interest.

"It was always planned that we'd be back early after the Swedish holiday," said Tobias Landstrom, deputy head of debt Management at Kommuninvest.

"We have some bonds maturing this autumn and we needed to take care of the redemptions. We plan to publish our interim report on the 25th of August, so we couldn't wait too long."

Landstrom said the deal went very well, with great support from the day it

ALL INTERNATIONAL GREEN BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	37	5,521.52	6.7
2 Credit Agricole	25	5,173.75	6.3
3 BNP Paribas	31	4,990.84	6.0
4 Citigroup	22	4,443.61	5.4
5 HSBC	33	3,824.61	4.6
6 Bank of America	29	3,810.30	4.6
7 SG	19	3,627.80	4.4
8 ING	24	3,545.11	4.3
9 Barclays	20	3,428.96	4.2
10 Deutsche Bank	24	3,384.04	4.1
Total	156	82,578.69	

Excludes social bonds and mixed use of proceeds.

Source: Refinitiv

SDC code: JG1

was announced and a very good bookbuilding overnight.

Orders increased from overnight Iols of US\$2.4bn-plus to a final update in excess of US\$3.1bn.

"The quality of this order book is probably one of the best I've seen in an awful long time in terms of the sheer amount of central bank and official institutions participating," said the lead banker.

"We had pretty much all of the key accounts we'd expect for a two-year dollar transaction in the book, and in early."

Barclays, BNP Paribas, Citigroup (B&D) and Nordea began marketing at IPTs of the mid-swaps plus 10bp area, followed with guidance of the 8bp area, and went on to launch at 7bp.

"We see fair value around plus 7bp, so there's no new issue premium," said a second lead.

"The US dollar SSA sector has been devoid of supply in the past week and the underlying market remains pretty stable, especially in the front end," he said. "The issuer saw a good opportunity to accelerate their funding plans to take advantage of this."

Kommuninvest, rated Aaa/AAA (positive/stable), last raised US dollars in mid-June with a US\$1.25bn 0.375% February 2024, which came at swaps plus 19bp on a book in excess of US\$2.5bn. The bonds have since tightened to 11bp bid on Tradeweb.

Following the success of this latest transaction, the first banker said he would not be surprised to see others following suit.

ALL INTERNATIONAL BONDS (ALL CURRENCIES)

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	1173	299,051.60	8.7
2 Citigroup	912	252,316.93	7.3
3 Bank of America	936	248,544.11	7.2
4 Barclays	778	227,754.49	6.6
5 Goldman Sachs	662	189,570.04	5.5
6 HSBC	743	172,328.79	5.0
7 Deutsche Bank	642	161,119.82	4.7
8 BNP Paribas	597	158,186.47	4.6
9 Morgan Stanley	523	151,802.86	4.4
10 Credit Agricole	435	105,026.96	3.0
Total	4,044	3,453,769.47	

Including Euro, foreign, global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: J1

"Purely because there's going to be a lot of supply coming in September, that's no great secret, and if the market is working well already, then why not do something?" the banker said.

"We're back at the pre-Covid levels and, in our view, there's not really much room to get tighter from here, but there's a bit of a risk we go wider."

Kommuninvest mandated for a euro green bond in February but is yet to progress further with the deal.

"The corona pandemic forced us to postpone the planned transaction in the euro market," said Landstrom

"Now, markets are back on track and spreads are close to pre-corona levels, so it's definitely one market we're monitoring. We do have a good outflow of green lending to our members for the green investments that they do, so there's an ongoing demand from us to find green financing."

EUROS

SAXONY SUSTAINS LAENDER ISSUANCE STREAK

The FREE STATE OF SAXONY returned to the euro market less than a fortnight after its previous deal, extending the recent run of Laender issuance.

While other markets have quietened down and experienced a typical summer lull, German states have continued their

ALL BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 BNP Paribas	328	91,119.81	8.1
2 JP Morgan	292	78,759.80	7.0
3 HSBC	282	69,788.12	6.2
4 Barclays	251	67,870.22	6.1
5 Credit Agricole	239	67,531.05	6.0
6 Deutsche Bank	253	66,366.44	5.9
7 UniCredit	227	58,102.99	5.2
8 Citigroup	197	55,122.12	4.9
9 SG	205	54,799.93	4.9
10 Bank of America	198	51,672.15	4.6
Total	1,272	1,120,406.99	

Including Euro-preferreds. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: N1

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING AUGUST 14 2020

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Aug 11 2020	UK	£3.25bn	0.625	Jun 7 2025	-0.049	2.25
Aug 11 2020	UK	£1.25bn	1.750	Jul 22 2057	0.674	2.16
Aug 12 2020	UK	£2.75bn	0.125	Jan 31 2028	0.151	2.88
Aug 12 2020	Germany	€3.1612bn	0.000	Aug 15 2030	-0.460	2.53
Aug 13 2020	Italy	€2.75bn	0.300	Aug 15 2023	0.080	1.63
Aug 13 2020	Italy	€2.75bn	0.950	Sep 15 2027	0.720	1.43
Aug 13 2020	Italy	€1.25bn	2.450	Sep 1 2050	1.910	1.39

Source: IFR

primary issuance seemingly unabated, with the Saxony trade taking the total number of transactions in the last couple of weeks to eight.

This latest deal, a no-grow €500m August 2023 note, landed at mid-swaps minus 7bp via sole lead manager *UniCredit*, showing no movement from guidance. There was no update given on order book size.

"We saw a three-year tap of the state of Lower Saxony last week at minus 7bp and we think this is around fair value for this tenor," said a banker.

"The yield was close to the depo rate and I think this is something to highlight," he added. "It's really just for people who need to park cash. Otherwise, you have to admit it is very tight."

The issue came with a yield of -0.496%, compared to the -0.5% rate on the ECB's deposit facility.

The issuer's previous deal was its first ever syndicated euro-denominated benchmark, a €500m no-grow five-year LSA at the end of July.

That paper was priced at mid-swaps minus 6bp, unchanged from initial guidance and also with no indication given of order

book size. It was bid at less 4.1bp last Monday, according to Tradeweb.

Looking ahead, the banker does not expect too much more activity in the next couple of weeks.

"I think this week will be super quiet, next week as well, I think people are going to the beach."

NON-CORE CURRENCIES

▶ AUSSIE STATES EXTEND SUPPLY SPREE

Australia's three most populous states extended their bond issuance sprees last week to help meet ballooning Covid-19 spending needs and shrunken revenue streams.

Hard-hit Victoria, whose capital Melbourne has been in stage four lockdown since August 2, faces a \$7.5bn (US\$5.38bn) budget deficit in the current fiscal year, according to state treasurer Tim Pallas, who a few months ago had projected a small surplus.

On Wednesday, **TREASURY CORP OF VICTORIA**, rated Aaa/AAA (Moody's/S&P), raised A\$500m from two long-dated sales.

ALL INTERNATIONAL US\$ BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	788	203,194.40	10.2
2 Citigroup	686	180,751.56	9.1
3 Bank of America	700	180,554.72	9.1
4 Goldman Sachs	504	140,452.08	7.0
5 Barclays	456	137,127.49	6.9
6 Morgan Stanley	398	115,083.65	5.8
7 Wells Fargo	383	93,003.73	4.7
8 Deutsche Bank	365	79,310.69	4.0
9 HSBC	332	74,786.55	3.7
10 Credit Suisse	333	60,415.92	3.0
Total	1,981	1,994,807.52	

Including Euro, foreign and global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: O1

ALL SUPRANATIONAL BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 JP Morgan	13	5,655.23	9.2
2 Deutsche Bank	12	5,643.42	9.2
3 Credit Agricole	14	5,377.33	8.8
4 Goldman Sachs	7	4,685.00	7.7
5 HSBC	7	4,420.76	7.2
6 BNP Paribas	11	4,317.13	7.1
7 SG	8	4,089.88	6.7
8 Bank of America	10	4,049.30	6.6
9 UniCredit	6	3,751.63	6.1
10 Barclays	7	3,462.43	5.7
Total	45	61,185.25	

Excluding ABS/MBS.

Source: Refinitiv

SDC code: N5

A A\$300m issue of new 2.0% November 20 2037 bonds, via sole lead manager *Nomura*, was priced at 99.999 for a yield of 2%, 107.5bp over EFP (10-year futures) and 63.5bp wide of the April 2037 ACGB.

TCV also tapped its 2.40% August 18 2050 line for A\$200m, increasing the size of the issue to A\$360m. *UBS* led the reopening, which was priced at 99.047 to yield 2.445%, 151bp wide of EFP and 73bp over the March 2047 ACGB.

The following day, **NEW SOUTH WALES TREASURY CORP**, rated Aaa/AAA (Moody's/S&P), priced a A\$300m 2.25% November 20 2040 bond offering at 101.620 to yield 2.185%, 61bp and 128bp wide of the May 2041 ACGB and EFP.

On Friday, lead manager *NAB* helped TCorp price a A\$112m 2.45% August 24 2050 bond issue at par, 58.5bp and 149.5bp pver the June 2051 ACGB and EFP.

By far the biggest trade of the week was from **QUEENSLAND TREASURY CORP** (Aa1/AA+/AA), which tapped its 1.75% August 21 2031s for A\$1.5bn on Wednesday, increasing the size of the line to A\$4.55bn.

This addition via joint leads *ANZ*, *CBA* and *UBS* was priced at 101.507 to yield 1.60%, within 64bp-67bp guidance at EFP plus

ALL SOVEREIGN BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 BNP Paribas	32	30,796.94	11.0
2 JP Morgan	45	28,042.66	10.0
3 Citigroup	28	19,609.56	7.0
4 HSBC	19	16,666.46	5.9
5 Barclays	28	15,823.63	5.6
6 Credit Agricole	19	15,612.81	5.6
7 Bank of America	34	15,553.79	5.5
8 SG	17	14,266.46	5.1
9 UniCredit	10	13,361.29	4.8
10 Goldman Sachs	19	13,351.50	4.8
Total	134	280,663.97	

Excluding ABS/MBS.

Source: Refinitiv

SDC code: N4

MUNICIPAL, CITY, STATE, PROVINCE ISSUES IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 UniCredit	48	13,539.65	16.7
2 JP Morgan	22	5,598.83	6.9
3 DZG-DekaBank	36	5,532.41	6.8
4 Barclays	23	4,985.89	6.1
5 Nord/LB	32	4,938.11	6.1
6 Deutsche Bank	28	4,929.45	6.1
7 BayernLB	23	4,737.07	5.8
8 HSBC	28	4,055.52	5.0
9 LBBW	22	3,467.36	4.3
10 Commerzbank	21	3,429.49	4.2
Total	145	81,162.34	

Excluding ABS/MBS.

Source: Refinitiv

SDC code: N7

ALL US DOLLAR FIXED-RATE GLOBALS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	278	94,082.52	10.9
2 Bank of America	273	93,758.71	10.9
3 Citigroup	251	92,930.36	10.8
4 Goldman Sachs	159	65,338.98	7.6
5 Morgan Stanley	148	56,074.12	6.5
6 Wells Fargo	169	48,523.94	5.6
7 Barclays	131	45,590.04	5.3
8 Deutsche Bank	96	36,076.60	4.2
9 RBC	96	29,969.86	3.5
10 TD Securities	82	29,874.25	3.5
Total	498	861,435.36	

Excluding equity-related debt, ABS/MBS.

Source: Refinitiv

SDC code: O5

ALL AGENCY BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 HSBC	35	11,530.61	11.6
2 JP Morgan	33	10,175.11	10.2
3 Credit Agricole	26	7,774.72	7.8
4 Barclays	21	7,526.32	7.6
5 Deutsche Bank	18	6,712.63	6.8
6 BNP Paribas	27	6,264.57	6.3
7 NatWest Markets	14	5,685.13	5.7
8 Bank of America	12	5,071.60	5.1
9 SG	20	4,876.31	4.9
10 Commerzbank	19	4,550.17	4.6
Total	142	99,323.66	

Excluding equity-related debt. Including publicly owned institutions.

Source: Refinitiv

SDC code: N6

66bp, equivalent to 61bp over the June 2031 ACGB.

In contrast to the smaller TCV and TCorp issues, which likely targeted one or two Japanese insurance companies in search of long-dated, high-quality Australian dollar assets, Queensland's large deal attracted a broad range of investors.

Australian accounts bought 83%, with Asia allotted 11%, EMEA 4% and the Americas 2%.

Asset managers and insurance companies took 39%, bank balance sheets 37%, trading desks 11%, official institutions 7% and hedge funds 7% to the nearest percentage point.

The reopening took QTC's total long-term debt raised since July 1 2020 to approximately A\$5bn, around one-quarter of the state's expected funding requirement for 2020–2021 of A\$19bn–\$22bn.

In a research note last Thursday, ANZ reported that state authorities had issued more than A\$18bn of semi-government bonds since the beginning of June and that it expects outstanding semis to be around A\$65bn higher than current levels by 30 June 2021 at A\$387bn.

"Demand for semi-government bonds are benefiting from the support of Reserve Bank policy measures, which have suppressed interest rates across the entire Australian rates market," ANZ noted.

"Without discretionary policy action, economic conditions across the states and territories would have been worse, so we support the policy action, which we also believe is likely to be extended and result in even larger deficits than we can currently forecast."

ANZ estimates total gross bond issuance from Victoria, New South Wales and Queensland in 2020–21 will be approximately A\$27bn, A\$25bn and A\$20bn, respectively.

For Western Australia, South Australia, Tasmania, Northern Territory and ACT, ANZ

expects rounded gross supply of A\$7bn, A\$6bn, A\$3bn, A\$2bn and A\$1bn.

▮ IDB REVISITS CAD FOR LATEST SDB

The **INTER-AMERICAN DEVELOPMENT BANK** renewed its presence in the Canadian dollar market last Thursday, almost a year after it chose the currency for its inaugural sustainable development bond (SDB).

Canadian dollar buyers are signalling a growing demand for ESG-related issuance, according to bankers, and IDB printed its first SDB in the market in September 2019.

"There is certainly good interest in these types of products out of the CAD market," said a banker.

Interest in IDB's new seven-year was strong enough for the issuer to increase the minimum size to C\$500m (US\$378m), from C\$300m, during execution. The spread, however, remained unmoved from initial price thoughts of 5bp over swaps. The book reached over C\$565m.

"It's a really good result, actually, and getting up to C\$500m was great. In a quiet market it is nice to have a lot of focus for a trade like this," said a second banker.

"Typically, the Canadian dollar market is a five-year-and-under market, but every now and then you get something a bit longer, so that gets interest."

Because there is a relatively limited supply of similar issuance, fair value for the new bond is hard to calculate, said the second banker.

"We have been monitoring the CAD market since the beginning of the year," said the issuer.

"We saw an improvement in the basis swap and relative spreads coupled with investor interest and these factors gave us the confidence to go ahead with a transaction."

Although proceeds from IDB's sustainable development bonds are not earmarked for specific purposes, all of its strategic

priorities align with a least one of the United Nations Sustainable Development Goals.

The new SEC-exempt deal, which was led by BMO, Bank of America and Scotiabank, corresponds to the United Nations' third Sustainable Development Goal for good health and well-being.

The multilateral development bank's borrowing requirement for the year is US\$20.5bn. It supports Latin America and the Caribbean's efforts to reduce poverty and inequality and supports sustainable development.

IDB said in June that it had US\$12bn that can be programmed to countries seeking support with disease monitoring, testing and public health services as part of its efforts to fight the coronavirus outbreak and support the region's recovery efforts.

Leaders from countries in the Amazon on Tuesday said they would ask the IDB to structure a financing initiative to channel funds for sustainable development in the Amazon forest.

CORPORATES

US DOLLARS

▮ US IG BOND VOLUME BREAKS ANNUAL RECORD WITH US\$1.336trn

High-grade borrowers in the US dollar market had sold US\$1.336trn of bonds this year as of August 11, making it the busiest year with more than four months still to go.

The previous record was set in 2017, when borrowers priced US\$1.333trn of bonds, according to IFR data.

Issuers in 2020 surpassed that volume in just the second week of August, helped by an ongoing rush to market among corporates issuers.

ALL CORPORATE BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 BNP Paribas	174	31,671.65	9.3
2 Deutsche Bank	105	23,627.11	6.9
3 HSBC	127	23,104.32	6.8
4 Barclays	84	19,379.81	5.7
5 Citigroup	100	19,054.14	5.6
6 Bank of America	91	18,824.54	5.5
7 SG	109	18,279.31	5.4
8 JP Morgan	102	16,947.33	5.0
9 Credit Agricole	91	15,515.46	4.5
10 UniCredit	88	13,861.02	4.1
Total	365	341,058.25	

Excluding equity-related debt. FIGs, ABS/MBS.

Source: Refinitiv

SDC code: N8

ALL INV-GRADE US CORPORATE BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	125	28,489.81	12.3
2 Bank of America	104	25,885.87	11.2
3 Morgan Stanley	66	18,946.18	8.2
4 Citigroup	73	16,029.94	6.9
5 Goldman Sachs	64	15,888.81	6.9
6 Barclays	59	15,561.35	6.7
7 Wells Fargo	80	14,592.20	6.3
8 Mizuho	46	11,138.66	4.8
9 HSBC	20	7,446.41	3.2
10 MUFG	40	7,161.21	3.1
Total	221	230,818.86	

Excluding equity-related debt, ABS/MBS, all foreign issues, global issues and non corporates.

Source: Refinitiv

SDC code: F6a

ALL US INVESTMENT GRADE CORPORATE DEBT

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	555	175,373.61	12.6
2 Bank of America	517	164,416.51	11.8
3 Citigroup	428	132,440.54	9.5
4 Morgan Stanley	320	105,120.33	7.6
5 Goldman Sachs	312	103,973.36	7.5
6 Wells Fargo	314	98,518.13	7.1
7 Barclays	218	65,057.56	4.7
8 Mizuho	189	45,370.59	3.3
9 Deutsche Bank	142	43,987.89	3.2
10 RBC	177	41,232.21	3.0
Total	1,011	1,387,849.39	

Source: Refinitiv

SDC code: F9

Ever since the Federal Reserve announced its unprecedented bond-buying programmes in March, investment-grade borrowers have flooded the US bond market to shore up cash reserves, fearing uncertainty ahead.

March, April and May became the three biggest volumes months on record after issuers raised US\$256bn, US\$288bn and US\$252bn, respectively.

With that surge, it did not take long to surpass 2019 volumes of US\$1.127trn less than halfway through the year.

And while the pace of issuance slowed in July, it subsequently picked up again amid a Treasury and credit rally that helped many corporates lock in record low coupons. As to whether that continues, however, remains to be seen, with Treasury yields jumping in the latter part of last week.

Some banks had been predicting a slowdown in issuance in the second half in any case, with Bank of America forecasting US\$200bn–\$300bn for that period.

Even so, more than US\$136bn has been raised so far in the third quarter, with 24 issuers garnering US\$34.13bn on Monday and Tuesday, surpassing weekly syndicate estimates of US\$25bn–\$30bn. That, however, was before Treasury yields leapt.

CHEVRON RETURNS WITH SECOND SEVEN-PART OFFERING

Oil producer **CHEVRON USA** was out last Monday with its second seven-part offering of the year raising US\$4bn to refinance commercial paper borrowings.

Chevron, rated Aa2/AA, focused on the front end of its credit curve, with six of the seven tranches with maturities of seven years or less.

That included two floating-rate notes in two and three-year maturities, which have become rare offerings amid the Federal Reserve's dedication to keeping interest rates lower for longer.

Floating-rate supply has dropped 56% to just US\$18.75bn in 2020 from US\$42.67bn during the same period last year, according to IFR data.

The five fixed-rate tranches included a US\$400m two-year at 20bp over Treasuries, a US\$500m three-year 28bp over, a US\$750m five-year at 45bp over, a US\$750m seven-year at 60bp over and a US\$750m 30-year at 110bp over.

At those levels, Chevron priced its bonds at much tighter levels than when it was last in the primary market with a similar US\$8bn seven-tranche deal in May.

The Chevron 1.995% 2027s priced at 150bp over Treasuries back in May but had since tightened to a G-spread of 54.2bp as of the week before last, according to MarketAxess data.

Similarly, its 3.078% 2050s priced at 175bp over Treasuries in May but were seen trading before the new offering at around a G-spread of 111.5bp.

Chevron's issue followed on the heels of energy competitor BP Capital Markets, which the week prior priced a US\$2.5bn two-part trade.

BP, rated A1/A–, garnered a US\$9.1bn order book and priced with a negative new issue concession at the 10-year part of the curve, but was forced to pay up with a 13bp premium at 30 years out, according to IFR calculations.

Despite the added concessions, BP still landed the 30-year note at the lowest coupon it had ever printed that far out on the curve, thanks in part to low Treasury rates at the time.

Performance was similar for Chevron, which printed three of its five fixed-rate tranches with a sub-1% coupon.

The bonds were also the first offered since Chevron announced in July plans to acquire **NOBLE ENERGY**, rated Baa3/BBB–/BBB, for US\$5bn in stock.

While energy has been a top-performing sector for yield-hungry investors undeterred

ALL INTERNATIONAL STERLING BONDS EXCLUDING SECURITISATIONS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total £(m)	Share (%)
1 NatWest Markets	61	11,172.73	12.0
2 HSBC	66	11,044.04	11.9
3 Barclays	70	10,256.47	11.0
4 RBC	33	7,726.32	8.3
5 Lloyds Bank	25	5,950.29	6.4
6 Citigroup	25	5,780.19	6.2
7 Bank of America	26	5,351.09	5.8
8 Deutsche Bank	21	4,703.68	5.1
9 BNP Paribas	21	4,699.73	5.1
10 JP Morgan	20	3,898.75	4.2
Total	164	93,061.54	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv

SDC code: K05a

ALL INVESTMENT-GRADE BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 BNP Paribas	261	80,001.70	8.1
2 JP Morgan	233	69,695.07	7.1
3 HSBC	239	64,372.64	6.5
4 Credit Agricole	209	60,966.62	6.2
5 Barclays	188	58,293.89	5.9
6 Deutsche Bank	201	56,989.89	5.8
7 UniCredit	189	53,167.23	5.4
8 SG	180	51,508.36	5.2
9 Citigroup	140	46,189.41	4.7
10 Bank of America	159	44,711.98	4.5
Total	1,057	983,752.23	

Excluding ABS/MBS, equity-related debt.

Source: Refinitiv

SDC code: N9

by the risks in the oil space, excess returns from such companies began to fall in July.

"After leading the index for two consecutive months, energy (+2.07% excess return) fell out of the Top 5, as the recovery in oil prices stalled out in July, leading to more mid-tier performance in credit," Dan Bruzzo, investment-grade corporate debt strategist at Amherst Pierpont Securities, wrote in a report.

COMCAST ACHIEVES LOW COUPON RATES IN THIRD DEAL OF THE YEAR

COMCAST returned to the US high-grade bond market on Tuesday with a US\$4.5bn three-part bond that the media company will use to pay down debt at ultra-low funding rates.

Leads tightened pricing by 15bp–17bp to land a US\$1.75bn long 10-year at 90bp over Treasuries, a US\$1.5bn 32-year at 118bp over and a US\$1.25bn 42-year at 138bp over.

The conglomerate is hitting the market ahead of two big principal payments in October, namely a US\$1.25bn floating-rate note and a US\$3.3bn loan used to fund its US\$39bn acquisition of Sky in 2018, according to a CreditSights note.

ALL SWISS FRANC BONDS INCLUDING SECURITISATIONS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total SFr(m)	Share (%)
1 Credit Suisse	93	11,840.7	31.4
2 UBS	73	8,201.7	21.8
3 ZKB	45	6,082.0	16.1
4 Verband	15	5,084.5	13.5
5 Raiffeisen Schweiz	31	2,975.3	7.9
6 Deutsche Bank	9	1,357.6	3.6
7 Basler KB	7	501.0	1.3
8 Commerzbank	4	373.2	1.0
9 BNP Paribas	5	365.4	1.0
10 Luzerner KB	2	281.3	0.8
Total	153	37,690.8	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv

ALL CORPORATE BONDS IN STERLING

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total £(m)	Share (%)
1 Barclays	25	2,901.87	14.4
2 HSBC	24	2,488.42	12.4
3 NatWest Markets	19	1,742.83	8.7
4 BNP Paribas	15	1,547.45	7.7
5 JP Morgan	9	1,480.43	7.4
6 Citigroup	9	1,086.38	5.4
7 Goldman Sachs	7	1,035.43	5.1
8 Lloyds Bank	10	1,005.71	5.0
9 RBC	10	925.94	4.6
10 Deutsche Bank	6	749.62	3.7
Total	50	20,122.20	

Source: Refinitiv

SDC code: N8a

Comcast has been an active issuer this year having now raised US\$12.5bn in the bond market through three deals, including a US\$4bn three-parter in May and a US\$4bn four-part trade in March.

The May transaction included a 1.95% January 2031 that priced at 130bp over Treasuries, which has since tightened to a G-spread of around 83.8bp, according to MarketAxess data.

Last Tuesday's 1.5% February 2031 landed some 7bp wide of those levels, leaving some meat on the bones for investors concerned with lingering risks in the sector.

The media industry is under pressure amid a transition away from cable to streaming services and declines in sports broadcasting as major US college programmes cancel or delay their seasons due to the Covid-19 pandemic.

"Cord cutting concerns remain an issue and it is putting a little pressure on CMCSA's ability to delever since the Sky acquisition," one investor said.

"Leverage is expected to creep back up a bit to the 3x area, which remains a little high for the rating."

Despite the elevated concessions the coupon on the bond was Comcast's lowest ever for any tenor, according to IFR data.

"We're smashing coupon records every day," one syndicate banker away from the deal said.

"We're telling borrowers if they have anything at all to issue in the near term you should be very seriously considering the market now if you're at all able to."

Comcast is convincing some investors that its breadth of products, including the launch of its Peacock video streaming service, gives it strong diversification to weather the storm.

"We think the second half of 2020 will be bumpy as the return of professional sports will weigh on profitability at NBC Universal and Sky, but we take comfort in the resilience of Comcast's cable business," CreditSights wrote in a report.

"We believe that the company's impressive mix of assets spanning broadcast and general entertainment networks, TV and film production, broadband and video distribution as well as streaming initiatives like Peacock leaves Comcast better positioned than peers to adapt its business model in response to shifts in consumer demand."

HOST HOTELS ACCOMMODATES INVESTORS WITH 10-YEAR GREEN BOND

HOST HOTELS & RESORTS came with its first bond deal of the year last Monday, riding the latest surge in green offerings with a

US\$600m 10-year deal that enjoyed aggressive price tightening.

Proceeds will fund prior acquisitions of hotels that meet standards set out by the Leadership in Energy and Environmental Design (LEED) ratings system.

Those acquisitions include a US\$219m buyout of the W Hollywood Hotel in March 2017 and the US\$610m purchase of 1 Hotel South Beach in February 2019, according to a CreditSights report.

Host Hotels is the latest in a string of US green bond offerings this month that started with Alphabet issuing a US\$5.75bn deal – the largest green bond ever – and continued with a US\$500m Visa green bond last Monday.

"It's becoming ever more popular as the buying base allocates more and more purchasing power into funds that are driven by a green agenda," one syndicate banker said.

Host Hotels set initial price thoughts at 365bp over Treasuries but quickly tightened to 300bp at launch, breaking through a guidance level of the 315bp area (+/-5bp).

That final spread came inside secondary levels, where the Host Hotel's 3.375% December 2029 was trading at a G-spread of around 318.6bp on Monday, according to MarketAxess.

It also came tight to competitor **MARRIOTT**'s curve, where its 4.625% June 2030s, rated Baa3/BBB-, were trading on Monday at around a G-spread of 309.8bp.

However, Marriott quickly responded with a new bond offering of its own on Wednesday that landed a US\$1bn 12-year tight to Host Hotel at 290bp over.

Aggressive price progression suggested that yield-hungry investors were keen buyers of both hotel credits, despite both hovering just above junk territory.

Host Hotels carries Baa3/BBB-/BBB- ratings with negative outlooks from both S&P and Moody's.

Aside from decent pricing, Host Hotels was seen diversifying its investor base through the green offering and participating in an asset class that is becoming extremely popular.

"It's more about tapping into a slightly different investor base," the banker said.

"I think more people are doing it for the softer upside of being able to say 'we support a green agenda' and it ticks boxes with treasury teams and boards."

Host Hotels was also hitting the market after leisure spreads had tightened to 350bp over Treasuries, in from a late-March wide of 722bp, according to ICE BofA data.

Yet while the company had one of the strongest balance sheets among its sector peers coming into the pandemic, it may

have a longer road to recovery due to its reliance on large group and business events, CreditSights noted in a report.

"Even while Marriott also relies on corporate and group demand, we anticipate Host Hotels having a more drawn-out recovery because of its hotel portfolio and lack of meaningful leisure offsets, relative to the Marriotts and Choice Hotels of the world," the report stated.

"To make it worthwhile, we would only be interested in a spread of north of T+340bp. Otherwise, we prefer exposure to Expedia, where we like the sector positioning to benefit from the leisure-led recovery."

CVS REDUCES DEBT WITH LIABILITY MANAGEMENT TRADE

CVS HEALTH returned to the US high-grade bond market on Wednesday with a US\$4bn three-part offering to help fund an up to US\$6bn tender offer.

It is the second bond offering of the year from the pharmacy benefits manager and drug store retailer, which continues to look for ways to pay off debt from its US\$69bn merger with **AETNA** back in 2018.

CVS priced a US\$1.5bn seven-year at 85bp over Treasuries, a US\$1.25bn 10-year at 110bp over and a US\$1.25bn 30-year at 135bp over.

Spreads tightened 25bp–35bp from initial price thoughts.

Since the size of the bond deal came in under the size of the tender offer, it is moderately deleveraging, according to a Moody's report.

"CVS Health's Baa2 senior unsecured rating reflects the significant increase in the company's debt levels and weakening of credit metrics following the closing of the acquisition of Aetna," Moody's wrote in the report.

"The company has reduced approximately US\$11.75bn in net debt since closing of the transaction, including the most recent US\$2.75bn repayment in July 2020, and pro forma for the latest debt repayment we estimate that lease-adjusted debt/Ebitda improved to around 4.1x."

Additionally, CVS is poised to print the notes at a lower coupon than the notes it is retiring, which will lower its interest expense cost, Moody's added.

The tender includes three series of 2023 notes and two series of 2025s, which have coupon rates ranging from 2.8% to 4.1%.

Given that Treasury rates are still relatively low, even the highest coupon debt on the 20-year landed tight to the tendered notes at 2.703%.

"The tenders in 2023 and 2025 happen to be two of its three largest debt maturity years, so smoothing out its debt maturity

profile is viewed favourably, particularly in this type of rate environment,” one investor said.

The results are much improved from its US\$4bn four-part offering in March in which CVS priced a 3.75% 2030 at 295bp over Treasuries.

That same note has since tightened to a G-Spread of around 113.9bp earlier in the week — which would imply a flat to negative new-issue concession on the new 10-year offering, according to MarketAxess data.

One investor said new-issue concessions looked about 5bp.

APPLE RETURNS FOR SECOND HELPINGS IN OPPORTUNISTIC FORAY

APPLE brought its second dollar bond of the year last week in what was seen as an opportunistic foray for the tech firm amid funding levels that have become too attractive for many companies to resist.

The iPhone maker, rated Aa1/AA+, returned on the back of a surprising surge of supply in August, but on Thursday it took advantage of a lull in activity to raise US\$5.5bn through a four-part deal.

Final books hit US\$8.6bn, allowing leads to tighten pricing 15bp–17bp before issuing a US\$1.25bn five-year at Treasuries plus 28bp, a US\$1.25bn 10-year at 58bp, a US\$1.25bn 30-year at 100bp and a US\$1.75bn 40-year at 118bp.

At those levels Apple left little if any concessions, where its 2025s, 2030s and 2050s were trading at G-spreads of around 26.7bp, 55.7bp and 94.4bp, according to MarketAxess data.

While spreads are tight, Apple’s solid fundamentals still have an appeal amid an uncertain future for the economy.

“Stimulus by global central banks has resulted in overwhelming technicals that have compressed risk premiums for both good and wobbly companies,” said David Knutson, head of credit research at Schroders America.

“You have to believe there will be some tapering in the stimulus and the typical playbook in that scenario is to look for high quality credits.”

The company also came with a new 40-year bond, which allowed investors to move along the curve for a pick-up in an already tight market.

For Apple, which has few upcoming maturities and has enjoyed a boost in sales during the Covid-19 pandemic, the deal was largely seen as an opportunistic tap to raise ultra-cheap funding.

“Apple produces roughly US\$70bn of free cashflow a year,” said Jason Shoup, head of global credit strategy at Legal & General Investment Management America.

“They actually don’t need to issue right now. This is purely opportunistic.”

While proceeds were slated for general corporate purposes, analysts and investors thought last week’s funding exercise would largely be used for debt refinancing.

According to CreditSights, the company has just US\$1bn of notes maturing in November and US\$3.5bn coming due in February next year.

“The commentary around this deal is that it is a refinancing trade of sorts,” said Shoup.

“It is relatively rare for companies to be willing to pay the negative carry associated with refinancing debt that far ahead of debt maturities. But I am sure Apple bankers were out there last week knocking at the doors saying rates are at historically low levels.”

Indeed, after a substantial credit and Treasury rally since the sell-off in March and April, companies are finding it hard to resist all-in funding costs that are at record lows for some.

Apple itself priced tighter last week on a spread basis than its last foray in May and even inside where it printed in September last year.

“This may be a very opportune time to issue [and refinance debt],” said Shoup. “If you can issue at yield levels that are this low, really the negative carry is insignificant.”

Leads on the offering were *Barclays*, *JP Morgan* and *Goldman Sachs*.

REGENERON PHARMACEUTICALS MAKES US\$2bn DEBUT

Biotechnology company **REGENERON PHARMACEUTICALS** launched a US\$2bn two-part bond on August 7 for its inaugural deal in the US high-grade bond space.

Proceeds will be used to finance a US\$1.5bn bridge loan issued in May that itself was used alongside US\$3.5bn of cash on hand to fund a US\$5bn share buyback from French pharmaceutical company **SANOFI**, according to LPC.

Sanofi held around 23.2 million shares of Regeneron’s common stock, representing around 20.6% ownership. Sanofi intends to retain around 400,000 shares.

The senior unsecured offering (rated Baa3/BBB+) was evenly split between 10 and 30-year tranches that tightened by 20bp through price progression to launch at 120bp and 160bp, respectively.

At those levels, Regeneron landed 41bp–69bp wide of where slightly higher-rated pharmaceutical peer **ASTRAZENECA**, A3/BBB+, is trading in the secondary after pricing similar bonds earlier in the week.

At the start of August, AstraZeneca priced a US\$3bn three-part bond, including a

US\$1.3bn 10-year at 85bp over and a US\$500m 30-year at 100bp over.

AstraZeneca’s 1.375% 2030 tightened to 79bp over in the secondary, while the 2.125% 2050 rallied to 91bp over, according to MarketAxess data.

Regeneron is one of many pharmaceutical companies chasing down a Covid-19 treatment and has initiated phase two and three clinical trials for an antibody cocktail intended to treat and prevent the coronavirus, according to an investor presentation.

The company has very little debt outstanding with a gross debt leverage of 0.7x and negative net debt of 1.1 times.

“Regeneron’s investment-grade rating reflects growing global scale, strong scientific expertise, and an extremely conservative balance sheet, with very low financial leverage helping to mitigate business risks,” said Michael Levesque, senior vice-president at Moody’s.

FED PAUSES ETF PURCHASES IN LATE JULY

The Federal Reserve stopped buying exchange-traded corporate bond funds between July 24 and 30 and focused exclusively on individual securities over that period, central bank data showed last Monday.

The move falls in line with the longer-term strategy of the Fed chairman Jerome Powell, who said in Congressional testimony in June that the bank would gradually move away from ETF purchases in favour of individual corporate bonds.

“It is a better tool ultimately for supporting liquidity and the market functioning,” Powell said in an CNBC broadcast that month.

Whether the Fed will restart ETF purchases remains unclear, but during the period July 24–30, the bank exclusively bought just over US\$109m of individual corporate bonds, the data show.

Data released last week show that the Fed continues to show a healthy appetite for Triple B paper, which comprised 55.60% of the Secondary Market Corporate Credit Facility (SMCCF), including bonds bought on July 29.

The rest is made up of Single A to Triple A paper (41.40%) and Single B bonds (3%), with the average weighted life of the portfolio at 2.9 years.

The healthcare sector holds the largest weight in the index at 12% of all holdings, followed by autos, utilities, tech and energy, according to a CreditSights report.

Since the last release of purchase data on July 10, the Fed added an additional US\$29m of AT&T debt to the index, making it the largest single company holding at US\$59.5m, according to the research firm.

The Fed has also bought large blocks of bonds from Daimler, Comcast, Toyota, Volkswagen, General Electric and Ford.

This comes as the pace of such purchases have slowed in recent weeks amid a continued flurry of primary bond activity in both the high-grade and high-yield bond markets.

The central bank bought US\$119m in credit assets in the week ended August 5, bringing its total holding of these types of securities to US\$12.374bn.

The week before, it bought US\$155m of such paper, down from the prior week when it purchased US\$615m.

Given the strong backdrop, the Fed has largely kept its powder dry in the event that the Covid-19 pandemic continues to knock the US economy and sour market sentiment.

Last month, the New York Federal Reserve's market chief Daleep Singh said the central bank had scaled back its accumulation of corporate securities through the secondary market due to improved credit conditions.

But he added that the Fed would increase its purchases again if credit conditions were to deteriorate.

EUROS

► E.ON TARGETS INNOGY ALIGNMENT WITH €11.5bn LME

INNOGY last week announced a liability management exercise on €11.5bn-equivalent of bonds as parent company **E.ON** looks to streamline its financing and reporting activities.

Having completed the takeover of German energy provider Innogy earlier this year, E.ON (Baa2/BBB) is now looking to further integrate its purchase via a consent solicitation and bond exchange through *Citigroup* and *NatWest Markets*.

E.ON acquired a 76.8% stake in the company last September and finalised the transaction this June, leaving Innogy now a fully owned subsidiary.

Holders of 17 Innogy bonds are being asked to consent to a replacement of Innogy as guarantor with E.ON SE; Innogy Finance BV as issuer with E.ON International Finance BV; and certain other amendments to the terms and conditions.

Holders of December 2023 and longer-dated notes will be paid a fee of 0.05% for participating. No fee will be offered to investors holding shorter-dated bonds. The solicitations are not interdependent, so some notes could see changes made while others may not.

E.ON, however, does not intend to renew Innogy's credit rating, meaning those invested in bonds not migrated will be left holding unrated debt.

Two of Innogy's bonds are not eligible for consent solicitation, and investors in those are being offered an any-and-all exchange.

"Under the legal framework, it is the German Bond Act of 2009 that outlines the process including thresholds needed for a bond consent solicitation to pass under German law," said Veenay Chheda, managing director, hybrid capital and liability management at NatWest Markets.

"For legal reasons, those two bonds do not fall under that and therefore an exchange is being used instead."

Innogy's €468m 3.5% October 2037 and ¥20bn (US\$185mm) 3.31% February 2040 offerings will be replaced with new issues featuring the same maturity but issued by E.ON. Again, a 0.05% fee is being offered.

The results of the solicitation and exchange are expected soon after September 11.

PARENT, SUBSIDIARY, PARENT

At a size of about €11.5bn-equivalent, the transaction will be one of the largest LMEs in recent years.

In fact, comparable deals include the migration of €10.5bn-equivalent, across 18 notes, from previous parent RWE to the newly publicly listed Innogy in 2017.

Many of the bonds now being migrated were also a feature of that previous exercise.

Given the scale of the transaction, there are some concerns around both timing and execution.

"One challenge, potentially, is the time of year. It is August and some decision-makers can be away, but there is sufficient time in the process, so we are confident," said Philippe Bradshaw, managing director, head of syndicate for NatWest NV.

"Also, what is important is establishing with accounts the rationale and details of the process."

Although the deal was announced in mid-August, it has been expected since the merger squeeze-out of the minority shareholders of Innogy in March.

Additionally, primary market activity is expected to be relatively limited over the next few weeks as the summer lull continues, so investors should be able to focus on the deal.

STERLING

► MIDLAND HEART SEMI-PUBLIC PLAY BROADENS UK HOUSING SUPPLY

The barrage of UK housing association supply hitting the market continued apace with **MIDLAND HEART** raising fresh

funding to help finance its development programme.

The presence of housing associations in the sterling primary has picked up dramatically in recent weeks, with Platform Housing, Hyde Housing, Blend and Housing 21 all either issuing new bonds or taps.

Midland Heart, rated A1 (stable) by Moody's, recently re-entered the market, having last issued in 2012. The £250m 1.831% August 2050, of which £150m was retained, was sold via *TradeRisks*, a specialist provider of advice to housing associations, local authorities and other social infrastructure sponsors.

On July 14, Midland Heart filed an RNS with the London Stock Exchange inviting investors to discuss a potential bond issue.

Midland and TradeRisks then worked with a group of investors to put the trade together over the following weeks.

"It was a more of a public private placement with selected investors," said the issuer.

The trade is secured by a portfolio of social housing properties owned by Midland Heart and the issuer will use the proceeds to support its higher capital expenditure as part of its plan to build 650 new properties over the next five years.

A seldom seen borrower in primary markets, Midland Heart has low levels of debt compared to its peers, according to Moody's. Its debt-to-revenue ratio is forecast to average 3.2x over the next three years.

"The issuer rating reflects Midland Heart's low indebtedness relative to rated housing associations, its healthy operating margin and interest coverage ratios, and its business model which focuses on the provision of low-risk social housing letting activities," wrote Moody's analysts.

ROBUST DEMAND

Sterling investors have been showing increasing demand for housing association paper.

While the borrowers themselves are being encouraged to raise funding because of historically low interest rates, buyers are keen to gain exposure to a sector that has been relatively shielded from the worst of the Covid-19 pandemic.

"Whereas a lot of sterling issuers, even the utilities, are seen to have some exposure to the fallout around the pandemic or a contraction in GDP, investors view housing associations as very counter-cyclical," said a DCM banker.

The longer-dated maturities that the sector has a preference for are also ideal for

an investor base made up almost entirely of insurance companies.

"A lot of the investors are Solvency II regulated insurance buyers, so need highly rated issuers and they need to liability match," said the banker.

The housing associations, meanwhile, are attracted to longer tenors because they fit well the 30-year business plans that the sector regulator asks them to publish and work best for business models that focus on large numbers of rented housing.

SWISS FRANCS

KKW GOESGEN SQUEEZES PRICING ON MARKET RETURN

KERNKRAFTWERK GOESGEN-DAENIKEN

significantly tightened pricing on its new issue in the Swiss franc market last week, achieving tighter pricing than similar but marginally higher rated credit Axpo last month.

The SFr100m (US\$110m) no-grow 0.93% September 2027 was issued by the nuclear power plant operator at a spread of 135bp over swaps.

At 135bp, the spread was notably inside of where Axpo, a higher-rated Swiss energy utility, landed its SFr133m 1.002% July 2027 last month, issued via Loanbox at a spread of 147bp.

"The pricing [of KKW Goesgen] was perhaps on the aggressive side. There were a few accounts saying it was just too tight for them, but ultimately we had more demand than bonds," said a banker.

"We had good pricing tension, the no-grow size helped, and they have a redemption coming up so some investors wanted to roll over."

The issuer has a SFr130m bond due to mature in September.

While neither KKW Goesgen or Axpo hold credit ratings from the major agencies, KKW Goesgen has internal ratings of CS Mid BBB, UBS BBB+ and ZKB BBB+.

Axpo, meanwhile, is rated CS High BBB, fedafin A-, UBS BBB+, Vontobel BBB and ZKB BBB+.

Axpo's July issue also had the additional allure of green use of proceeds, typically expected to help with price progression during execution.

Underscoring just how far the lead, *Credit Suisse*, was able to the push the pricing on KKW Goesgen's new issue was shown by the nearest comparable, AKEB's 1.45% July 2027s, bid at 155bp. This prompted the lead to start marketing the new bonds at initial price thoughts of 140bp–155bp.

Demand for new supply in Swiss francs is particularly strong at the moment. With the market typically picking up in mid to late August, slightly earlier than the euro market, investors are returning to their desks and looking to put cash to work.

"We have seen good technicals, I think everyone is back now, perhaps slightly earlier than usual because people aren't going on holiday as much," said the banker.

NON-CORE CURRENCIES

GOODMAN MARKETS MTN SALE

GTA Finance, the financing arm of **GOODMAN AUSTRALIA PARTNERSHIP**, rated BBB (S&P), has mandated ANZ and NAB to arrange investor update calls beginning August 17 for a potential seven-year or longer fixed-rate Australian dollar MTN offering.

GAP invests in logistics and business park assets within the eastern seaboard of Australia.

FIG

US DOLLARS

HSBC TARGETS SENIOR SURGERY WITH BROAD TENDER AND US\$3.5bn ISSUE

HSBC HOLDINGS raised US\$3.5bn in a dual-tranche holdco senior offering last Tuesday that was launched in conjunction with a tender offer on nine bonds, as the bank looks to reshape its TLAC-eligible senior debt stack.

HSBC priced a US\$2bn six-year non-call five at 137bp over Treasuries and a US\$1.5bn 11-year non-call 10 at 172bp over.

ALL FINANCIAL INSTITUTION BONDS IN EUROS BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 Credit Agricole	49	14,124.57	10.5
2 SG	33	9,729.45	7.3
3 JP Morgan	51	8,292.64	6.2
4 Deutsche Bank	40	7,858.09	5.9
5 Barclays	36	7,749.69	5.8
6 Natixis	28	7,731.04	5.8
7 BNP Paribas	28	7,017.54	5.2
8 HSBC	36	5,804.38	4.3
9 UniCredit	31	5,663.86	4.2
10 UBS	23	3,986.95	3.0
Total	225	134,036.67	

Including banks, insurance companies and finance companies. Excluding equity-related and covered bonds. Excluding publicly owned institutions.

Source: Refinitiv

SDC code: N11

Spreads tightened by 23bp–28bp through price progression from initial price thoughts in the area of Treasuries plus 160bp and 200bp, respectively.

Financial paper, especially from banks, has enjoyed strong demand in the market amid a dearth of large bank issuance in the third quarter.

"You have a lack of money centre banks in this market, so there is a lot of pent-up demand for financials and good-quality bank paper that is paying any sort of concession," one syndicate banker away from the deal said.

"Even at these spreads, it's a compelling proposition given the cash sitting with investors right now."

Proceeds will be used towards the tender offer. Following the pricing of the new issue, HSBC said on Wednesday the total available amount for the tender offers was US\$3.5bn.

The tender is unusual in its scale, targeting nine of HSBC's outstanding holdco senior deals, with a combined principal amount of US\$13.3bn.

The bonds, which comprise both fixed-rate and floating-rate notes, all mature in 2021 or 2022.

HSBC said it was targeting the deals to improve its liability structure, as the loss-absorbing holdco senior notes lose their regulatory value once they have a residual maturity of less than 12 months.

Banks have increasingly been looking to optimise their liabilities while liquidity abounds.

The spate of LMEs comes as an increasing number of banks have begun using callable maturity structures when issuing senior debt for regulatory purposes.

Such clauses allow banks to redeem bonds one year ahead of maturity and avoid paying coupons on an instrument that has lost regulatory value.

Their introduction will save banks from launching tender offers in the future, at least in certain circumstances.

ALL SUBORDINATED FINANCIAL INSTITUTION BONDS (ALL CURRENCIES) BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Credit Agricole	12	3,753.19	9.7
2 Citigroup	20	3,697.65	9.5
3 Barclays	16	3,589.96	9.3
4 JP Morgan	21	3,010.05	7.8
5 Bank of America	19	2,916.60	7.5
6 HSBC	17	2,447.88	6.3
7 UBS	10	2,350.19	6.1
8 Credit Suisse	6	2,127.73	5.5
9 Morgan Stanley	14	1,835.89	4.7
10 Goldman Sachs	10	1,430.75	3.7
Total	60	38,723.00	

Source: Refinitiv

SDC code: J3a

HSBC's nine separate tender offers are tiered in order of priority and will expire on Tuesday.

HSBC was sole bookrunner on the trade.

VISA DELIVERS DEFENSIVE CREDIT IN DEBUT GREEN BOND

Financial services company **VISA** priced a US\$3.25bn three-part bond last Monday, which contained its debut green bond offering, according to IFR data.

The US\$500m seven-year green tranche landed at 35bp over Treasuries and will be used to refinance eligible green projects.

These include investments in green buildings, energy efficiency, renewable energy, wastewater management and clean mass transit, according to the company's SEC filing.

Proceeds can also be used towards "inspiring and empowering sustainable living behaviours", which refers to the company's initiatives in tap-to-pay turnstiles in public transit ticketing systems, according to a Visa spokesperson.

The coupon on the seven-year note was 0.75%, edging out Alphabet's 0.8% 2027s as the lowest coupon debt at that tenor this year, according to IFR data.

The other two tranches were a US\$1bn long 10-year at 57bp over Treasuries and a US\$1.75bn 30-year at 82bp over.

Proceeds from the non-green tranches were set for general corporate purposes, but CreditSights said it expected funds would go to the US\$4.9bn cash and debt portion of its US\$5.3bn acquisition of fintech firm **PLAID**, which was announced in January as one of Visa's largest M&A deals ever.

Additionally, CreditSights noted that funds could be used to pay down debt, including the US\$3bn left outstanding on Visa's 2.2% 2020s maturing in December, Refinitiv data show.

Spreads across all three tranches tightened by 18bp–25bp through price progression as the buy-side proved eager to put money to work in a relatively safe credit, one investor said.

"You have to put it in the context of big tech names like **AMAZON**, **APPLE** and **GOOGLE** — those credits with only modest impact from Covid-19 and a very quick bounce-back," the investor said.

Visa does have some exposure to Covid-19 risks such as declining levels of consumer spending and reduced travel, which hurts cross-border payment volumes, CreditSights noted.

Still, long term the company could see an upside as retailers transition to more online payment processing and other forms of electronic payments.

With net leverage at 0.3x debt to Ebitda in the latest quarter, Visa that trades tight to even blue-chip tech names such as **INTEL**, **ORACLE** and **CISCO**.

"We have few concerns with Visa's credit quality and would buy the new issue up to secondary levels, but more as a defensive play," CreditSights wrote.

"Visa does not offer much upside amid the ultra-low rate environment that has investors hunting for yield, but it does offer quality."

Visa was last in the market with a similar US\$4bn three-part bond during the busiest week ever recorded in the US high-grade bond primary, when issuers stormed the market at the end of March after the Federal Reserve announced supportive measures.

At that time Visa priced a 2.05% 2030 at 140bp over Treasuries, which tightened to a G-spread of 53bp as of last week, according to MarketAxess data.

The new 10-year bond offered some 4bp of additional spread over that secondary level before accounting for the maturity extension.

Bank of America, Deutsche Bank, JP Morgan and Wells Fargo served as lead bookrunners on the trade.

EUROS

EURO FIG MARKET SET FOR REOPENING AS UNCERTAINTIES LOOM

The euro FIG market's summer break is expected to come to an end this week as issuers look to make use of a promising August–September window ahead of a potentially volatile final few months of the year.

With many banks now out of earnings blackouts and market participants returning to their desks, plans are already in place for euro deals to be launched this week, said

ALL GLOBAL AND EUROMARKET YEN BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total ¥(m)	Share (%)
1 Mizuho	7	109,441.67	21.5
2 Goldman Sachs	3	76,275.00	15.0
3 Sumitomo Mitsui	7	65,466.67	12.9
4 JP Morgan	1	48,875.00	9.6
5 Bank of America	1	48,875.00	9.6
6 Mitsubishi UFJ MS	3	33,466.67	6.6
7 Nomura	3	27,833.33	5.5
8 Credit Agricole	3	12,535.00	2.5
9 BNP Paribas	1	12,500.00	2.5
10 MUFG	1	12,500.00	2.5
Total	16	508,535.00	

Excluding equity-related debt. Including preferreds.

Source: Refinitiv

SDC code: K10

bankers, offering investors the first benchmark supply in the sector since July 22.

Deals are expected from across the capital spectrum over the coming weeks with covered bonds and senior offerings potentially leading.

Issuers are looking to come to the market sooner rather than later because of widely held fears of potential volatility or a decline in investors risk appetite later in the year.

Renewed waves of coronavirus infections, the US election and Brexit are among the potential triggers for volatility, while issuers may also look to gain an early mover advantage and avoid a crowded September issuance window.

"Risk appetite has felt a little too good to be true given all the challenges around the globe, so is that likely to remain? Central bank support means it probably won't be too bad, but the balance of probability is that things will be worse in a couple of months," said a syndicate banker.

"If you've got anything planned, you're going to be thinking about getting it done by September. If everyone is thinking about September, that quickly turns into thinking about August."

Some issuers may also be keen to get deals done before banks report their third-quarter results, fearing that weaker numbers could also hit demand.

ALL SAMURAI BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total ¥(m)	Share (%)
1 Sumitomo Mitsui	11	106,250.00	33.2
2 Daiwa Securities	11	72,550.00	22.7
3 Nomura	10	55,350.00	17.3
4 Morgan Stanley	8	45,350.00	14.2
5 Mizuho	3	20,350.00	6.4
6 Credit Agricole	3	20,350.00	6.4
Total	14	320,200.00	

Excluding equity-related debt.

Source: Refinitiv

SDC code: K11

ALL INTERNATIONAL YEN BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total ¥(m)	Share (%)
1 Sumitomo Mitsui	18	171,716.67	20.7
2 Mizuho	10	129,791.67	15.7
3 Nomura	13	83,183.33	10.0
4 Daiwa Securities	12	80,883.33	9.8
5 Mitsubishi UFJ MS	11	78,816.67	9.5
6 Goldman Sachs	3	76,275.00	9.2
7 Bank of America	1	48,875.00	5.9
8 JP Morgan	1	48,875.00	5.9
9 Credit Agricole	6	32,885.00	4.0
10 BNP Paribas	1	12,500.00	1.5
Total	30	828,735.00	

Including all Euro, foreign and global issues. Excluding equity-related debt.

Source: Refinitiv

SDC code: K12

“Monitoring the whole Q2 results season, it’s been mixed with a lot of results boosted by exceptional trading revenue in government bonds or otherwise,” said a second syndicate banker.

“If you don’t have the trading profit or mark to market from your government bond portfolio you might have another hit in Q3 and access to the market could prove difficult, so it’s prudent to access in September.”

A GOOD BASIS

Bankers are optimistic of a strong start for the market driven by supportive technicals and a stable backdrop.

Since the euro market closed for the summer on July 22, the iBoxx EUR Banks Subordinated index has tightened by 9bp to 161bp while the iBoxx EUR Banks Senior index has also tightened by 9bp to 72.9bp over the same period.

The iBoxx EUR Covered index is just 0.6bp tighter, at 13.1bp.

“Summer has, you can argue, artificially brought spreads tighter. If that will hold, we’ll have to see, but it can provide a good basis for the primary market,” said a third syndicate banker.

“Liquidity is still high, asset managers have cash to put to work, so that should make for a nice start for the primary.”

HEAVY LIFTING DONE

Overall supply volumes in the second half are unlikely to match those seen in the first, as many banks sought to front-load their issuance this year.

The majority of banks’ important, strategic trades slated for 2020 have already been done, meaning many issuers will not feel compelled to revisit the market, bankers said.

“The sense is people have already done a lot of the heavy lifting when it comes to issuance this year,” said a DCM banker.

Nevertheless, further subordinated supply is expected in the August–September window, be it opportunistic pre-financing of deals due for call next year or supply from smaller or weaker credits that have not yet surfaced in 2020.

“In capital financing, there are second or third-tier banks which might have been charged a lot up until now to issue in the market – you might see a resurgence of that type of issuer in capital in September,” said the second syndicate banker.

Many deals also remain to be done elsewhere in the capital stack, bankers added.

While banks’ covered bond or senior funding needs have been reduced by the availability of cheap central bank funding and lower lending growth, some larger

banks still plan to sell TLAC/MREL-eligible senior bonds.

STERLING

UK BANKS’ CREDIT LOSSES COULD HIT £28bn IN 2020

Downbeat economic forecasts caused the UK’s biggest banks to report higher-than-expected credit losses of more than £9bn in the three months from April, and the collective total could rise to as high as £28bn by year-end, according to Fitch.

Recent figures released alongside banks’ Q2 results show that lenders across Europe and the US are setting aside huge sums for expected loan losses due to the pandemic.

UK banks are among those that have stood out, market participants said, as expectations for the country’s economy have become more gloomy, leading to higher expected losses.

“When it comes to bank provisions, the picture is all over the place because the macro picture is different in different regions and some banks are taking different views on macro expectations, meaning the GDP impact and employment rates,” said an investor.

“The UK in that respect, between Q1 and Q2, is an outlier, as macro expectations moved much more to the downside. That is one reason we have seen much higher provisions there.”

Also setting them apart from their international peers, UK banks must contend with greater exposure to the uncertainty of Brexit, market participants said.

In a report published last Monday, Fitch noted the five largest UK banks – Barclays, HSBC, Lloyds, NatWest and Santander UK – reported expected credit losses (ECLs) of around £9.1bn in the second quarter, exceeding their aggregate pre-provision profits.

Fitch said its own forecast for the UK’s economy, alongside others, was now more negative than in the first quarter after the country’s lockdown lasted longer than expected.

Such downbeat forecasts resulted in an increase of Stage 2 loans, which attract lifetime expected losses, to an aggregate of 17% across the five banks.

“Increased ECLs on these loans suggests that UK banks are, to varying degrees, recognising losses early which should shield their profitability (although not their capital) as some of these loans migrate to Stage 3,” said Fitch.

The agency noted the uptick in the banks’ Stage 3 loans – where a loan’s credit risk increases to the point it is considered credit-

impaired – was more limited in the first half of the year, rising to 1.9% on aggregate.

These loans are for now protected by government support measures and payment relief, but a deterioration in Stage 3 loans is expected as these measures are wound down and payment holidays end.

Banks have stressed that due to the many difficulties of modelling the economic recovery, significant uncertainty still remains over the size of their full-year credit losses.

Fitch said its analysis and the banks’ guidance, where provided, suggested that the five UK banks’ ECLs could reach between £20bn and £28bn for the full year.

The banks would therefore have to provide a further £4bn to £12bn of provisions in the second half of the year.

Fitch noted that the banks’ capitalisation has improved, with their Common Equity Tier 1 (CET1) ratios rising by a median of 40bp quarter-on-quarter as a result of regulatory relief and muted growth in risk-weighted assets (RWAs).

But it expects capital metrics to weaken over the coming quarters and said inflation in RWAs due to credit migration in the second half of the year might also reduce CET1 ratios.

NON-CORE CURRENCIES

QBE MARKETS TIER 2 NOTES

QBE INSURANCE GROUP (A3/A–/A–) held an investor update call last week for a potential Australian dollar 16-year non-call six-year Tier 2 floating-rate note issue, rated Baa1/BBB (Moody’s/S&P).

ANZ and Citigroup have been mandated as joint arrangers, and as joint lead managers with Barclays, CBA, HSBC and NAB.

HIGH-YIELD

UNITED STATES

OCCIDENTAL TACKLES LOOMING MATURITIES WITH NEW DEBT RAISE

OCCIDENTAL PETROLEUM, the energy exploration and production company, took its second run at the junk bond market this year in an effort to tackle looming debt maturities.

The company has been struggling under a heavy debt load after acquiring Anadarko last year and its CEO has made liability management its number one priority.

But Occidental hit the market last week after another round of deteriorating financials.

It recorded its fourth straight quarterly loss with a US\$6.6bn impairment charge stemming from the collapse in energy prices earlier this year, according to Reuters.

On Wednesday, it launched a US\$3bn three-part offering of five, eight and 10-year unsecured bullet notes, with proceeds going to fund a tender for eight notes maturing between 2021 and 2023.

Leads were able to increase the size of the deal from an initial US\$1.5bn as well as bring pricing inside initial talk.

An investor said it was no surprise to see the deal get upsized, given there is "insatiable appetite for high-yield" in a low-yield environment.

It was the company's second high-yield bond offering since becoming a fallen angel earlier this year, after raising US\$2bn in June in a deal that favoured size over price.

Wednesday's offering landed at much tighter levels than the company achieved in June, when it raised US\$2bn in a three-part offering of five, seven and 10-year notes that priced at yields of 8%, 8.5% and 8.875%.

Those 2025, 2027 and 2030 notes had since compressed in the secondary market to 5.54%, 6.16% and 6.79%, according to MarketAxess data.

The new US\$900m five-year, US\$600m eight-year and US\$1.5bn 10-year bonds came at a slight premium to those levels, with leads pricing the notes at 5.875%, 6.375% and 6.625%.

That was inside price talk in the area of 6%, 6.375% and 6.625%.

Still, Occidental bonds area still trading wide to its peers with similar Ba2/BB+/BB ratings, given the challenges facing the company. Average Double B bonds, which have an effective duration of 4.28 years, yield 3.88%, according to MarketAxess.

DEBT LOAD

The company has around US\$4.5bn of bonds coming due in 2021, and total long-term net debt of US\$36bn as of June 30.

ALL COVERED BONDS (ALL CURRENCIES)

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Credit Suisse	23	8,700.90	7.1
2 Barclays	39	8,355.15	6.9
3 BNP Paribas	30	6,739.86	5.5
4 HSBC	31	6,537.61	5.4
5 Credit Agricole	26	6,285.47	5.2
6 Commerzbank	24	5,180.70	4.2
7 Natixis	24	5,107.68	4.2
8 ING	23	4,761.14	3.9
9 NatWest Markets	15	4,050.06	3.3
10 Santander	16	3,889.30	3.2
Total	144	121,903.88	

Source: Refinitiv

SDC code: J15a

Tackling the company's debt load is a priority before increasing oil production, CEO Vicki Hollub said on the company's second-quarter earnings call on August 11.

"I don't really see us growing next year," she said, as the company uses "all available cash" to retire debt and address maturities. "So that's the highest priority for next year," said Hollub.

As well as tapping the bond market, the company is hoping to close around US\$2bn of asset sales in 2020.

Occidental is selling assets in Wyoming, although has chosen not to sell assets in Algeria to Total, a sale that Algerian authorities had moved to block, according to a Reuters report.

FMCC RAISES UNSECURED DEBT AFTER EARNINGS

FORD MOTOR CREDIT COMPANY raised US\$2.25bn of high-yield bonds on Wednesday, underscoring it still had access to an unsecured market that it hopes to lean on less going forward.

The financing arm of Ford Motor Company hit the market with a Ba2/BB+/BB+ rated unsecured deal after releasing better than expected earnings on July 30 and after S&P took the parent company's credit ratings off negative outlook on Tuesday.

FMCC priced US\$1bn of 3.37% three-year senior notes at a cash price of 99.988 to yield 3.375% and US\$1.25bn of seven-year notes at par to yield 4.125%, the tight end of price talk of the 3.50% area and 4.25% area (+/- 12.5bp), respectively.

Ford Motor Credit bonds have rallied strongly with the outlook for consumer credit appearing less dire than feared earlier in the pandemic.

The finance unit also has US\$32bn of liquidity, according to an August investor presentation on Q2 earnings.

"Ford Credit benefits from a very solid asset book that has performed through the cycles, has a well-balanced capital structure, ample liquidity and benefits from the support agreement from the parent," said analysts at CreditSights.

On the consumer credit side, the company said in the August presentation that weekly loan extensions had declined 96% from their peak in late March and were returning to pre-pandemic levels.

Another encouraging sign is that 96% of extended loans had seen payments made after receiving extensions, the company said.

Ford Credit expects to maintain leverage in the 8.1x-9.1x range in 2020.

The unsecured debt offering was in line with previous estimates of the company's funding needs in 2020, although Ford Motor

Credit told investors to expect a higher mix of ABS in its funding plans going forward.

Having issued US\$5bn of unsecured debt and US\$7bn of ABS debt through July 29, it expects to issue around US\$7bn-\$10bn of unsecured debt over the course of 2020 and US\$11bn-\$14bn of ABS.

Last year, it issued US\$17bn of unsecured corporate debt, versus US\$14bn of ABS.

The issuer has US\$73bn of term debt outstanding, including bank borrowings.

Bookrunners on Wednesday's Ford bond offering were Citigroup, Credit Agricole, Societe Generale and SMBC.

INVESTORS DRIVE HARD BARGAIN ON CARGO AIRLINE HIGH-YIELD DEBUT

WESTERN GLOBAL AIRLINES' first ever high-yield bond offering was downsized and priced well wide of talk on August 7.

Unlike the majority of deals seen in the primary market in recent weeks, which have been for debt refinancing, the privately owned cargo airline was raising cash to fund the sale of up to 49% of the company's shares to an employee share-ownership programme.

The Esterio, Florida-based company was founded in 2013 by Jim and Sunny Neff, who remain majority shareholders.

The five-year bullet senior unsecured bond offering was originally sized at US\$420m when it was announced on July 29. But in a sign of weak investor demand, the deal was downsized to US\$350m with pricing pushed well wide of initial talk.

The structure was also improved for investors to a bullet format, after initially being pitched with a two-year non-call period.

The deal was priced on August 7 with a coupon of 10.375%, and pricing below par at 98.625 for a yield to maturity of 10.738%. Price talk had previously been indicated at 8.75%-9%.

The bond issue was rated B3/B-/B+. Average Single B bonds yield 5.54%, according to ICE BofA indices.

The company was also planning to fund the share purchase with a US\$30m unrated Term Loan A and around US\$30m of cash.

The employee share ownership programme will use the proceeds to acquire a minimum of 30% and maximum of 49% of the owners' shareholdings, according to an offering memo.

The bonds have traded well since pricing, climbing to 102.25 for a yield of 9.78% on Thursday, according to MarketAxess.

CARGO BOOST

Cargo airlines have benefited in recent months from an increase in online shopping and by a reduction in flights by passenger aircraft, which also have capacity for cargo.

Revenues at Western Global increased to US\$181.2m in the first half of 2020, a US\$59.8m increase on the same period last year.

About 40% of that increase was a result of reduced passenger aircraft traffic, the company said.

While these trends will benefit Western Global in the short term, ratings agencies flagged longer-term concerns.

"The company has yet to demonstrate consistent operating results and the ability to operate with financial leverage, albeit relatively low, at the time when the company is experiencing a shift in ownership with associated changes to its corporate governance arrangements," said Inna Bodeck, a vice-president at Moody's.

Analysts at S&P said Western's small scale of operations in a very competitive air cargo industry "makes it especially vulnerable to pricing pressures and volume declines during periods of sustained market weakness".

The company's largest customers are UPS, Amazon and the Department of Defense, which accounted for around 53% of revenues in the first six months of 2020.

A company website said it owned 19 wide-body aircraft.

Royal Bank of Canada was left lead on the bond sale, with *Truist Securities* as a bookrunner and *Regions Securities* as co-manager.

WINDSTREAM TIGHTENS JUNK BOND PRICING AS IT EYES BANKRUPTCY EXIT

Network communications company **WINDSTREAM** priced a US\$1.4bn first lien bond offering in a receptive high-yield market on Tuesday as it looks to exit from bankruptcy protection in coming weeks.

Leads were able to bring pricing on the note from initial price thoughts of the 8.25% area to price the eight-year non-call three senior first lien note at 7.75%.

ALL US\$ DENOMINATED HIGH-YIELD BONDS

BOOKRUNNERS – 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	228	29,515.07	10.4
2	Bank of America	223	27,037.65	9.5
3	Citigroup	171	20,792.50	7.3
4	Goldman Sachs	174	20,079.15	7.1
5	Barclays	167	19,237.49	6.8
6	Morgan Stanley	119	16,362.28	5.8
7	Wells Fargo	134	15,389.00	5.4
8	Deutsche Bank	147	13,730.58	4.8
9	Credit Suisse	136	13,082.99	4.6
10	RBC	86	9,015.28	3.2
	Total	433	283,854.29	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.
Source: Refinitiv SDC code: B5

Proceeds from the bond offering will be used, along with other new sources of cash, to repay the company's debtor-in-possession financing, fund bankruptcy emergence costs, and provide cash recoveries to certain creditors, as well as general corporate purposes.

The first lien debt was rated B3/B by Moody's and Fitch; the agencies gave the company B3/B– corporate ratings with a stable outlook.

"Despite the reduction in debt as the company emerges from bankruptcy, leverage is still elevated," said S&P.

Adjusted leverage has been reduced to the low 4x area from about 6x when the company entered bankruptcy in 2019, S&P said, but revenue across its voice, video and copper-based broadband is declining.

"We believe the company will be challenged to reduce leverage over the next couple of years because of earnings declines and limited FOCF," S&P said.

The 7.75% coupon compares with average Single B yields of 5.60%, according to ICE BofA indices.

As well as the bond, Windstream also priced a US\$750m seven-year term loan at 650bp over Libor at an original issue discount of 96, in line with initial expectations.

The loan traded up on the break, according to LPC, and was quoted at 96.25–97.25 cents on the dollar on Wednesday, according to a source.

The bond, on the other hand, dipped below par and was last trading at 99.60, according to MarketAxess.

Both the bond and loan were arranged by JP Morgan, Goldman Sachs, Truist Bank, Citigroup, Deutsche Bank and Morgan Stanley.

BANKRUPTCY EXIT

The restructuring will reduce the company's debt by around US\$4bn and give it access to about US\$2bn in new capital.

The bulk of that capital is being provided by a US\$1.75bn investment for growth

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS

1/1/2020 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	JP Morgan	36	3,576.30	7.5
2	Deutsche Bank	33	3,538.06	7.5
3	Barclays	30	3,271.33	6.9
4	Citigroup	32	3,063.54	6.5
5	BNP Paribas	31	2,879.89	6.1
6	Goldman Sachs	30	2,676.70	5.6
7	Credit Suisse	23	2,654.38	5.6
8	HSBC	30	2,207.46	4.7
9	Bank of America	22	2,171.98	4.6
10	UniCredit	21	2,111.03	4.5
	Total	85	47,401.87	

Excluding equity-related debt.
Source: Refinitiv SDC code: B6

capital improvements by Uniti as part of the settlement of a lease agreement between the two parties.

Windstream will also raise a further US\$1.035bn of capital, across a US\$750m equity rights offering and a US\$285m asset purchase by Uniti Group, funded by the sale of common stock.

Windstream filed for bankruptcy in February 2019 after losing a court battle with hedge fund Aurelius Capital Management over the company's spin-off of its network assets into Uniti, a real estate investment trust.

The hedge fund argued successfully that this had caused the company to default on its bond agreements.

Windstream expects to emerge from bankruptcy as a private company in late August. According to Moody's, funds associated with Elliott Investment Management will control around 40%-50% of the company.

"Execution risks are high and continued cost-cutting is a critical component of the company's strategy, but good liquidity facilitates a long turnaround runway," said Moody's analysts in a report. "Windstream's post-bankruptcy financial policy is expected to prioritise debt pay down with excess free cashflow."

EUROPE/MIDDLE EAST/AFRICA

LIBERTY GLOBAL SWISS UNIT'S BONDS RALLY ON M&A NEWS

Bonds issued by Liberty Global's Swiss unit **UPC** were up last week after the telecoms conglomerate announced plans for the takeover of Zurich-based Sunrise Communications in a surprise US\$7.4bn deal.

UPC's 3.875% Jun 2029s were up more than three points at 99.68 on Friday, according to Tradeweb.

ALL EUROPEAN HIGH-YIELD ISSUERS

1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Citigroup	41	5,485.79	8.6
2	Deutsche Bank	36	4,726.68	7.4
3	Barclays	34	4,613.99	7.2
4	JP Morgan	41	4,551.79	7.1
5	BNP Paribas	36	3,822.77	6.0
6	Credit Suisse	27	3,694.07	5.8
7	Goldman Sachs	32	3,484.32	5.4
8	Bank of America	23	2,638.39	4.1
9	Credit Agricole	17	2,515.68	3.9
10	HSBC	29	2,482.01	3.9
	Total	95	63,990.53	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06c

The bonds were trading cheap beforehand, said one investor.

"UPC was the widest Double B euro telco [before the announcement], which seemed to be due to a lack of strategic direction," said the investor.

"UPC tried to sell themselves to Sunrise but the shareholders voted it down after balking at the multiple. There was also some concern of a joint venture between Salt and Sunrise to roll out broadband," he said.

Now UPC has announced the acquisition of Sunrise, bond investors are happier for a number of reasons.

"One, it gives the bondholders clarity that Liberty Global wants to invest in the asset."

But second, pro forma leverage for the transaction is 5x, which is the same as Virgin Media (VMED), according to the investor's calculations.

However, VMED has vendor notes that are not included in its debt calculations – and which UPC doesn't have to the same extent.

The merger will also reduce competition in the Swiss market, which is good for UPC's profits, he said.

The deal marks a strategic reversal by US company Liberty Global, which had been divesting European assets.

UPC on Wednesday announced a US\$3.58bn equivalent jumbo loan in US dollars and euros to back the purchase of Sunrise.

The company opted for the Term Loan B route instead of the high-yield market in order to gain a greater degree of flexibility, said a banker familiar with the deal.

"The TLB market is in good health, the instrument provides flexibility in coming to market before completion of the tender offer, as well as an ability to bring the deal in the middle of August," said the banker.

"Given the materiality of the acquisition and P2P nature it would have taken longer to get the financials together to do a bond offering memorandum – whereas for a loan you can more easily prepare the information," said a second banker.

ALL ASIAN HIGH-YIELD ISSUERS

1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Credit Suisse	44	3,538.13	9.0
2	UBS	39	2,775.73	7.0
3	Haitong Secs	58	2,168.23	5.5
4	Citic	38	2,074.02	5.3
5	Deutsche Bank	38	2,034.91	5.2
6	Bank of America	14	1,942.61	4.9
7	Goldman Sachs	20	1,898.31	4.8
8	Guotai Junan Secs	44	1,857.29	4.7
9	Morgan Stanley	21	1,540.97	3.9
10	Bank of China	24	1,407.67	3.6
	Total	102	39,397.06	

Excluding equity-related debt.

Source: Refinitiv

SDC code: B06d

Both bankers said that there isn't much of a pricing differential between high-yield and the loan market.

"Both markets are pretty healthy so I think pricing conditions are probably fairly similar for a good quality asset like this one," said the first banker.

Liberty wants to create a stronger competitor to Swisscom and grab share as it has done in other markets through subsidiaries such as Ziggo, Telenet and VMED, said the first banker.

Liberty said the combined businesses will have Sfr3.1bn in revenue, 2.1m mobile post-paid subscribers, 1.2m broadband subscribers, and 1.3m TV subscribers – around 30% market share in each segment.

The takeover of Sunrise continues a flurry of activity for Liberty that includes the £24bn tie-up between its Virgin Media business and Telefonica's O2 and the taking private of Spain's Masmovil by private equity investors.

Liberty Global Chief Executive Mike Fries told reporters on Wednesday that "the industrial logic of the deal was undeniable" in a market that "requires rationalisation", and that Liberty Global wanted to use its strong balance sheet.

"We are sitting on US\$10bn of liquidity right now," he said. "We felt this is a great market and a great opportunity to put capital to work." (See Top News for more.)

FALLEN ANGEL ZF LOOKS TO MANAGE DEBT PILE

Fallen angel ZF FRIEDRICHSHAFEN is turning its attention to trimming its debt pile after being cut to junk in April.

The auto parts maker was downgraded to high-yield in April by S&P, which cut the company's rating by one notch to BB+ with a negative outlook. Moody's downgraded ZF by one notch to Ba1 in March and put the company on negative outlook in June.

"We will use the next few months to have a look at our maturity programme, and have a continuous programme for our bonds, including refinancing," said a ZF executive on the company's August 7 half-year earnings call.

ZF has just under €5.3bn in bonds according to their August investor presentation.

The company is planning to launch an "investment-grade" style EMTN programme that will allow it to more efficiently address refinancing activity in the bond market, CreditSights analysts said in a report.

"Our CFO talked about the future EMTN programme during our half-year results call," a ZF spokesperson told IFR. The company is currently "elaborating on the programme", he said.

Fallen angels with IG covenant packages are not out of the ordinary, noted CreditSights analysts.

ZF's first maturity wall is coming up in 2022, when it has more than €3.8bn due: €934m in Schuldschein, €2.35bn in syndicated loans, and €555m in bonds, according to an investor presentation.

The company said on a call with analysts that it would be focusing first on its 2022 maturities, and would probably first refinance its €2.35bn in loans in the bond market.

"My general takeaway [from the analyst call] was that the loans would likely be where they would look first," said CreditSight's Brian Studioso.

ZF was last in the euro bond market in October, when it raised €2.7bn to help finance its acquisition of braking and transmission supplier Wabco, according to IFR data.

"The financing for Wabco was long-term financing, and independent of the [high-yield] rating we [later] received," said an executive on the company's earnings call.

While ZF has been proactive about deleveraging following acquisitions in the past, the company is facing headwinds this time around, said CreditSights analysts.

Auto makers have been directly impacted by the global spread of coronavirus, and ZF is no exception.

ZF has cut 5,300 jobs worldwide, and saw sales collapse by 27% in the first half of the year.

"The company like the entire industry is in a very serious situation," said an executive on ZF's press call. "Many of our plants are facing weak customer demand and are subject to very high volatility that we will also expect [to continue] in the upcoming months."

ZF does not expect to see business at pre-pandemic levels over the next three years.

Most European carmakers or car-related companies are likely to end up as fallen angels thanks to production shutdowns, according to Bank of America analysts who also predict they will remain junk credits for the foreseeable future.

Triple B rated autos such as CNH, Peugeot and Valeo are all on the brink, while Renault, Schaeffler and ZF Friedrichshafen have already been downgraded into junk territory.

TUI BONDS UP ON THE BACK OF NEW KFW TRANCHE

Bonds issued by TUI shot up nearly 10 points last week after the German travel company said it had reached an agreement with the federal government for an additional stabilisation package for up to €1.2bn.

The company will get a €1.05bn loan from development bank KfW, which is contingent upon a €150m convertible bond. It follows the agreement of a €1.8bn facility by the government, also via KfW, in April.

TUI has been badly hit by the Covid-19 pandemic. It lost €1.1bn in the three months through June after the virus halted travel, wiping out revenue and straining its balance sheet as it burned through about €550m–€650m a month.

However, the new agreement will boost the company's liquidity to €2.4bn, and with the possibility of more money being raised through divestments, bondholders are more optimistic about its outlook.

Its €300m 2.125% October 2021s were bid at 82.88 on Friday, up from 73.30 at the start of last week, according to Tradeweb.

Access to the additional KfW loan is subject to TUI issuing a €150m 9% convertible six-year bond to the Economic Stabilisation Fund. Also holders of the 2021s need to agree to a covenant waiver for a potential future limitation of TUI's indebtedness.

Both conditions must be met by September 30. The KfW facility is bridge financing, which must be refinanced in due course, said the company.

"The additional state aid package does not come as a surprise, as we did believe further government support could be forthcoming if the need were to arise – eg, tight liquidity," said Lucror Analytics analysts.

"We welcome the extra support, which gives TUI more liquidity during this challenging period and helps tide it through the winter 2020-2021 season."

Bookings are now up 145% for next summer compared with this, said CEO Fritz Jousen on a Thursday call with analysts.

"If we need [the new loan] or don't remains to be seen, but plan for the worst and hope for the best," said Jousen. "We're now in the situation where we have secured enough liquidity for the winter and the time after, and can focus even more on the operational level."

TUI said it will continue to look at its balance sheet. It previously launched a 30% cost-saving programme and is hoping to cut €300m per year. The company expects to break-even by the third quarter and is striving to be profitable next year.

"The message we want to say is we know that our balance sheet needs to be restructured, and we will take the chance to do that," said Jousen.

"But, of course, when and exactly how much will highly depend on the volatility of the market as well."

Birgit Conix, the company's CFO, said TUI would be working further on its capital

structure "in all other means", but declined to comment further on how it would be reducing debt.

"We will do everything to drive down the leverage and then look that all balance sheet options that are available to us at the right moment," Conix said on Thursday's call.

"With the financing, we have several scenarios. [But] it's too early. We don't have a crystal ball and no one knows what happens next."

ASIA-PACIFIC

› INVESTOR SIGNALS NOTE OFFER

INVESTOR PROPERTY has mandated *Westpac* as arranger and joint lead manager with *ANZ*, *Forsyth Barr* and *Jarden* for a New Zealand dollar seven-year senior secured fixed-rate retail note offer, expected to open this week.

The commercial real estate investment company previously issued an unrated NZ\$100m (US\$65.9m) 4.40% six-year retail note offering in March 2018.

STRUCTURED FINANCE

EMEA MBS

› TWO LEGACY UK RMBS REFINANCINGS PRE-PLACED

Two UK RMBS were pre-placed last week to refinance existing securitisations of legacy mortgages.

Sponsor Citigroup priced UK non-conforming RMBS **CHESHIRE 2020-1** on Tuesday. The deal refinances 2015 RMBS Dukinfield from CarVal Investors, which is approaching its first optional redemption date on August 17.

The £247.1m portfolio comprises owner occupied and buy-to-let mortgages originated by the former Future Mortgages. The deal was fully pre-placed across all tranches.

No issue prices were disclosed, making it impossible to compare pricing against the raft of new issues from mainly non-bank issuers sold in July.

Those deals typically sold Triple A paper in a Sonia plus 125bp–145bp range. The £190.2m 3.35-year Triple A Tranche from Cheshire carries a face coupon of Sonia plus 90bp.

The deal's first optional redemption date is in August 2025. Citigroup was sole arranger and sole lead, and as sponsor will retain a minimum 5% vertical risk retention loan note. Pepper UK is servicer and legal title holder.

Oddly, the SPV used for the new securitisation was – according to Companies House – originally registered under the name **STRATTON MORTGAGE FUNDING 2020-1**, when set up in March this year.

It was renamed to Cheshire 2020-1 in July, shortly before a new SPV called Stratton Mortgage Funding 2020-1 was filed with Companies House.

That new Stratton SPV was then used for the second of last week's new issues, a refinancing of two Alba trades for Davidson Kempner.

The Class A from Stratton Mortgage Funding 2020-1 was pre-placed at Sonia plus 90bp, with no issue price disclosed. The rest of the structure was retained.

The seller was Ertow Holdings VI and the retention holder was Burlington Loan Management, both Davidson Kempner vehicles. *Bank of America Securities* was sole arranger and lead manager.

The transaction is backed primarily by a pool of first-lien buy-to-let and owner-occupied mortgages originated between 2002 and 2008. It refinances Alba 2006-1 and Alba 2015-1, which will be called later this month.

The 2015 deal stepped up after missing its April 2020 first optional redemption date, when the UK RMBS market was shut down because of Covid-19. Alba 2006-1 does not have the typical step-up and call feature, but is approaching its 10% clean-up call.

EMEA ABS

› ITALIAN NPL ABS COULD BE GETTING OVER COVID-19 – SCOPE

Italian non-performing loan collections bounced back in June, suggesting Italian NPL securitisations could be getting over the effects of Covid-19, Scope Ratings said on Thursday.

Scope calculated gross proceeds in June from Italian NPL ABS came in 6% higher than the pre-Covid-19 average of just over €200m (the average of the six months to February this year). They had slumped to below €100m in April and were little better in May.

And in a sign that the courts are back up and running, judicial collections stood at €83m in June, compared with just €30m in April.

However, data from the 22 securitisations that Scope analysed provide mixed messages, with nine deals registering a decrease in June collection volumes compared with the pre-Covid-19 average.

"Even if June performance does represent the beginning of a gradual process of recovery, the contraction of the Italian economy and the risk of a second wave by

year-end adds an element of uncertainty,” said Rossella Ghidoni, associate director in Scope’s structured finance team.

GREEK AUTO LEASE ABS CRONOS CLOSED

Greek auto lease ABS **CRONOS FINANCE DAC** for **OLYMPIC COMMERCIAL TOURIST ENTERPRISES SINGLE MEMBER** was closed last week. The deal was not seen publicly marketed.

According to Fitch, which rates the ABS, the originator trades under the name Avis Budget Greece, but its rental car business was not part of the securitisation. Instead, the €186m portfolio comprises leases and residual value made to Greek SME and corporates.

The SPV issued three tranches, A1 to A3, rated BBB+ by Fitch and sized at €50m, €43m and €37m. The Class A1 has a coupon of three-month Euribor plus 185bp and Classes A2 and A3 each pay a fixed 1.40%. There is also an unrated €56.4m Class B paying a variable coupon.

EMEA CLO

BOFA RECOMMENDS TRIPLE A CLO TRANCHES FOR BANK INVESTORS

A lower forecast for high-yield default rates means bank investors should return to European CLO Triple As, Bank of America structured finance strategists said in a recent research note.

Previously, BofA had argued for an early move into structured finance bonds in the belly of the stack – and it says that has so far been the right approach.

But it now expects European high-yield defaults will not peak materially higher than 3%, down from 5%–6% previously. It has also cut its US forecast to 7% over the next 12 months, from 9% previously.

“Reduced HY default rate risk suggests reduced risk of losses in CLO portfolios and concurrently a reduced risk of senior tranche downgrades,” BofA said, making what was already a tail risk now even more remote.

The report disagrees with S&P’s recent predictions that European speculative-grade default rates will reach 8.5% by March 2021, but points out that even this higher figure would still be well below the high teens default rate reached during the great financial crisis.

Alongside CLOs, BofA expects UK RMBS and ABS should continue to be the most active primary markets in Europe, with the non-bank sector offering investors variety in credit and duration, as well as an added advantage if sterling rates move negative.

“The rising probability of negative policy rates and the increasing share of negative-

yielding bonds on the sterling market together with the negative rates protection features of SF bonds, increases the attractiveness of the latter in the near to medium term,” it said.

Last month, RBC structured a senior unsecured sterling bond issue with a high coupon and a high issue price in response to the increased possibility of negative Sonia.

BofA said the forward curve suggests the Sonia one-month rate could go negative from February next year, fall as low as –0.16% in July 2022, and stay negative until April 2025.

The lowest-margin UK structured finance bonds are typically from auto ABS, and these could follow the high coupon, high issue price model already well established in the eurozone.

That of course creates pre-payment risk for investors, which means investors should carefully consider the terms of revolving periods, BofA warns.

Bond coupons are effectively floored at zero, but deals’ interest rate swaps typically have no Sonia floor, so negative Sonia could erode excess cashflow, although BofA said note margins in existing deals should protect issuers.

“Based on current forward rates for Sonia, the note margins should provide ample buffer against this, we think. That is, over a 10-year horizon the lowest Sonia forward rate is –16.4bp (in July 2022), whereas the smallest Sonia-based note margin among placed transactions outstanding is 54bp on the GLDR 2019-UKA A notes, according to our records,” it said.

US MBS

LENDING PLUNGE CASTS CLOUD OVER CMBS ISSUANCE

A plunge in property lending since the Covid-19 pandemic is expected to dramatically reduce the issuance of private-

label US commercial mortgage-backed securities for the year, analysts and investors said.

Bankers toughening their lending standards and investor caution about the hotel and retail industries – two major sources of loans that are securitised – have already resulted in a dearth of issuance.

Only US\$3.7bn in private-label CMBS has reached the market since the end of June, IFR data shows.

“Issuance will most likely not match the beginning of the year due to the volatility and tightening of underwriting standards,” said Matt Salem, partner and head of KKR’s real estate credit business.

“The biggest impact to volumes will come from the exclusion of more Covid-19-sensitive properties like hotel and retail,” he said.

Private-label CMBS issuance reached about US\$34bn in the first half of 2020, with just another US\$12bn of supply expected to hit the market during the remainder of the year.

That US\$46bn stands in stark contrast to activity last year when, according to Bank of America, private-label CMBS supply totalled US\$118bn.

Lending to hotels and retail properties plummeted in the second quarter due to the Covid-19 pandemic, bringing the commercial mortgage-backed securities market to a near halt, the Mortgage Bankers Association said.

Overall, commercial property lending fell by 48% in the second quarter from a year earlier to its lowest level since the first quarter of 2014, according to MBA data.

“The originations picture shows a marked divide between properties that were the most dramatically and immediately hit by the pandemic – lodging and retail – and those that have fared better – multifamily and industrial,” MBA’s vice-president of commercial real estate research Jamie Woodwell said in a statement.

SECURITISATIONS – ALL EUROPEAN RMBS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 Barclays	9	2,205.38	14.0
2 Bank of America	9	2,108.72	13.4
3 Lloyds Bank	9	2,048.43	13.0
4 Citigroup	8	1,562.14	9.9
5 Credit Agricole	2	1,352.56	8.6
6 BNP Paribas	6	1,191.88	7.6
7 JP Morgan	4	1,009.16	6.4
8 Morgan Stanley	3	806.68	5.1
9 Coop Rabobank UA	1	500.00	3.2
10 NAB	3	468.20	3.0
Total	29	15,761.84	

Including Euro, foreign, global and domestics, excluding CDOs

Source: Refinitiv

SDC code: B10a

GLOBAL SECURITISATIONS IN STERLING

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total £(m)	Share (%)
1 Lloyds Bank	12	2,186.46	18.3
2 Bank of America	10	2,141.60	17.9
3 Citigroup	11	1,782.07	14.9
4 Barclays	8	1,660.24	13.9
5 BNP Paribas	5	789.91	6.6
6 Morgan Stanley	2	475.45	4.0
7 JP Morgan	3	434.00	3.6
8 NAB	3	403.72	3.4
9 HSBC	3	365.13	3.1
10 Standard Chartered	2	352.78	2.9
Total	32	11,966.18	

Including Euro, foreign, global and domestics, excluding CDOs.

Source: Refinitiv

SDC code: B16i

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 14/8/2020

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
Bravo 2020-Nqm1	US\$254.739	1.99	1.449	Barclays/Nomura	NR/NR/AAA	RMBS
Bravo 2020-Nqm1	US\$25.785	1.99	1.789	Barclays/Nomura	NR/NR/AA	RMBS
Bravo 2020-Nqm1	US\$23.407	1.99	2.406	Barclays/Nomura	NR/NR/A	RMBS
Bravo 2020-Nqm1	US\$18.470	4.03	3.181	Barclays/Nomura	NR/NR/BBB	RMBS
Bravo 2020-Nqm1	US\$12.252	4.03	5.086	Barclays/Nomura	NR/NR/BB	RMBS
Bravo 2020-Nqm1	US\$9.144	4.03	5.719	Barclays/Nomura	NR/NR/B	RMBS
CNH Industrial Capital Aus	A\$189.325	0.70	1mBBSW+95bps	ANZ	NR/AAA/NR	ABS
CNH Industrial Capital Aus	A\$200	2.60	1mBBSW+110bps	ANZ	NR/AAA/NR	ABS
Cheshire 2020-1 PLC	£190.112	-	SONIA+90bps	Citi	NR/NR/NR	RMBS
Cheshire 2020-1 PLC	£10.561	-	SONIA+160bps	Citi	NR/NR/NR	RMBS
Cheshire 2020-1 PLC	£5.868	-	SONIA+210bps	Citi	NR/NR/NR	RMBS
Cheshire 2020-1 PLC	£5.868	-	SONIA+260bps	Citi	NR/NR/NR	RMBS
Cheshire 2020-1 PLC	£8.214	-	SONIA+310bps	Citi	NR/NR/NR	RMBS
Cheshire 2020-1 PLC	£8.215	-	SONIA+350bps	Citi	NR/NR/NR	RMBS
Cheshire 2020-1 PLC	£5.867	-	-	Citi	NR/NR/NR	RMBS
FSMT 2020-2	US\$90.275	4.99	2.50	Goldman Sachs/Amherst	NR/NR/AAA	RMBS
FSMT 2020-2	US\$380.754	4.99	3.00	Goldman Sachs/Amherst	NR/NR/AAA	RMBS
FSMT 2020-2	US\$55.692	4.99	3.00	Goldman Sachs/Amherst	NR/NR/AA+	RMBS
GMCAR 2020-3	US\$236.11	0.21	0.819	Citi/BofA Securities/Credit Agricole/TD Securities	NR/A1+/F-1+	ABS
GMCAR 2020-3	US\$589.89	0.99	0.35	Citi/BofA Securities/Credit Agricole/TD Securities	NR/AAA/AAA	ABS
GMCAR 2020-3	US\$573	2.41	0.45	Citi/BofA Securities/Credit Agricole/TD Securities	NR/AAA/AAA	ABS
GMCAR 2020-3	US\$131.7	3.58	0.58	Citi/BofA Securities/Credit Agricole/TD Securities	NR/AAA/AAA	ABS
GMCAR 2020-3	US\$25.99	3.66	0.81	Citi/BofA Securities/Credit Agricole/TD Securities	Aa3/NR/AA	ABS
GMCAR 2020-3	US\$24.39	3.66	1.37	Citi/BofA Securities/Credit Agricole/TD Securities	A2/NR/A	ABS
GMCAR 2020-3	US\$20.31	3.66	1.91	Citi/BofA Securities/Credit Agricole/TD Securities	Baa2/NR/BBB	ABS
OMFIT 2020-2	US\$741.050	5.64	1.75	Citi/Mizuho/Societe Generale	NR/AAA/NR	ABS
OMFIT 2020-2	US\$96.310	6.59	2.21	Citi/Mizuho/Societe Generale	NR/AA/NR	ABS
OMFIT 2020-2	US\$56.850	6.65	2.76	Citi/Mizuho/Societe Generale	NR/A/NR	ABS
OMFIT 2020-2	US\$105.790	6.65	3.45	Citi/Mizuho/Societe Generale	NR/BBB-/NR	ABS
OMART 2020-T1	US\$415.967	1.99	1.278	Barclays	NR/AAA/NR	ABS
OMART 2020-T1	US\$10.487	1.99	1.774	Barclays	NR/AA/NR	ABS
OMART 2020-T1	US\$10.478	1.99	2.32	Barclays	NR/A/NR	ABS
OMART 2020-T1	US\$31.681	1.99	3.061	Barclays	NR/BBB/NR	ABS

Some investors are wary of buying CMBS as delinquencies on property loans have risen due to borrowers seeking debt relief to deal with hardship from the pandemic.

CMBS delinquencies rose for a fourth straight month in July to 4.98%, their highest level since April 2014, Fitch said.

But many of these borrowers are expected eventually to make their loan payments again.

“Most delinquencies are not fundamental value issues, they are short-term cashflow issues. It’s not that the properties are worth a lot less,” KKR’s Salem said.

LENDING PLUMMETS IN Q2

Even so, sectors that drive the CMBS market have taken a substantial hit as lenders beat a retreat from companies suffering revenue declines.

Lodging and retail revenues took the steepest hits among all real estate sectors since the health crisis, raising these industries’ default risks.

Origination volume to hotels tumbled by 91% in the second quarter from the same quarter in 2019, while lending to malls and

other retail properties has fallen 74% in the second quarter from the same quarter a year earlier, MBA said.

The sharp pull-back in hotel and retail lending partly drove a 95% drop in CMBS origination in the second quarter, according to the MBA.

Meanwhile, apartment and industrial loan volumes declined by 24% and 44% in the second quarter from a year earlier, respectively.

Most of the recent CMBS deals have little to no hotel and retail exposure as their delinquency rates have jumped.

Hotel loan delinquencies rose to 16.64% in July, while retail delinquencies rose to 11.58%, according to Fitch.

Last week, a US\$464.5m conduit transaction, **WFCM 2020-C57**, was announced, which does feature 16.1% of its loan pool made to hospitality borrowers.

“The only deals getting done involve little if any exposure to retail, hotel or office properties,” said Steven Abrahams, head of securitisation and investment strategy at Amherst Pierpont. “I’d expect CMBS issuance to finish 2020 down year-over-year 20%–25%.”

SELF-STORAGE LOANS GAIN SPACE IN CMBS MARKET

Loans on self-storage facilities are becoming a growing presence in US commercial mortgage-backed securities as bankers structure deals around properties perceived as less risky during the current pandemic.

While not a huge CMBS sector, bankers have leaned more heavily on self-storage loans in recent months in the wake of the health crisis.

“It’s a defensive asset and a diversifier in a conduit deal,” said Jenn Ripper, investment specialist at Penn Mutual.

The share of self-storage loans in conduit CMBS in the second quarter grew to 21.1% in second quarter from 3.8% in the first quarter, according to Moody’s Investors Service.

Last Thursday, **MERIT HILL** and **CENTERBRIDGE PARTNERS** raised US\$323.85m with large loan CMBS issue, **MHP 2020-HILL**, backed by 78 self-storage buildings in 23 US states.

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 14/8/2020 (CONTINUED)

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
OMART 2020-T1	US\$6.387	1.99	5.419	Barclays	NR/BB/NR	ABS
Pepper Residential Sec Tr No 27	A\$297.1	0.6	1mBBSW+95bps	CBA/NBA/Macquarie/Westpac	Aaa/AAA/NR	RMBS
Pepper Residential Sec Tr No 27	A\$402.9	3.2	1mBBSW+165bps	CBA/NBA/Macquarie/Westpac	Aaa/AAA/NR	RMBS
Pepper Residential Sec Tr No 27	A\$155	3.2	1mBBSW+190bps	CBA/NBA/Macquarie/Westpac	Aaa/AAA/NR	RMBS
Pepper Residential Sec Tr No 27	A\$55	3.9	1mBBSW+290bps	CBA/NBA/Macquarie/Westpac	NR/AA/NR	RMBS
Pepper Residential Sec Tr No 27	A\$30	3.9	1mBBSW+390bps	CBA/NBA/Macquarie/Westpac	NR/A+/NR	RMBS
Pepper Residential Sec Tr No 27	A\$22	3.8	1mBBSW+515bps	CBA/NBA/Macquarie/Westpac	NR/BBB+/NR	RMBS
Pepper Residential Sec Tr No 27	A\$13	3.4	1mBBSW+800bps	CBA/NBA/Macquarie/Westpac	NR/BB+/NR	RMBS
Pepper Residential Sec Tr No 27	A\$9.1	2.4	-	CBA/NBA/Macquarie/Westpac	NR/NR/NR	RMBS
Prpm 2020-2 LLC	US\$230.981	2.16	3.671	Nomura/Goldman Sachs	NR/NR/NR	RMBS
Prpm 2020-2 LLC	US\$28.873	3.01	5.000	Nomura/Goldman Sachs	NR/NR/NR	RMBS
SCFET 2020-1	US\$59.875	0.20	2.020	BofA Securities/Credit Suisse	Aa1/NR/NR	ABS
SCFET 2020-1	US\$166.342	1.19	0.68	BofA Securities/Credit Suisse	Aaa/NR/NR	ABS
SCFET 2020-1	US\$166.342	2.70	1.19	BofA Securities/Credit Suisse	Aaa/NR/NR	ABS
SCFET 2020-1	US\$59.5	4.01	2.02	BofA Securities/Credit Suisse	P1/NR/NR	ABS
SCFET 2020-1	US\$46.403	4.6	2.60	BofA Securities/Credit Suisse	A2/NR/NR	ABS
Stratton Mortgage Funding 2020-1	£189.6	2.95	SONIA+90bps	BofA Securities	NR/AAA/AAA	RMBS
THRM 2020-1	US\$199.050	0.77	2.840	Credit Suisse	NR/NR/NR	ABS
THRM 2020-1	US\$28.350	2.12	3.950	Credit Suisse	NR/NR/NR	ABS
THRM 2020-1	US\$27.600	2.63	6.250	Credit Suisse	NR/NR/NR	ABS
USAUT 2020-1	US\$159.529	1.25	2.470	Credit Suisse	Baa1/NR/NR	ABS
USAUT 2020-1	US\$53.937	2.93	3.220	Credit Suisse	Baa3/NR/NR	ABS
USAUT 2020-1	US\$17.273	3.44	5.940	Credit Suisse	Ba3/NR/NR	ABS
USAUT 2020-1	US\$28.028	3.74	na	Credit Suisse	B3/NR/NR	ABS
WFMB 2020-4	US\$223.120	4.91	3.000	Wells Fargo	Aaa/NR/AAA	RMBS
WFMB 2020-4	US\$58	4.91	2.500	Wells Fargo	Aaa/NR/AAA	RMBS
WFMB 2020-4	US\$33.097	4.91	3.000	Wells Fargo	Aaa/NR/AAA	RMBS
WOART 2020-C	US\$210	0.26	0.207	BofA Securities/Mizuho/MUFG/Truist	NR/A1+/F-1+	ABS
WOART 2020-C	US\$467.74	1.18	0.35	BofA Securities/Mizuho/MUFG/Truist	NR/AAA/AAA	ABS
WOART 2020-C	US\$416.71	2.73	0.48	BofA Securities/Mizuho/MUFG/Truist	NR/AAA/AAA	ABS
OART 2020-C	US\$104.62	3.94	0.61	BofA Securities/Mizuho/MUFG/Truist	NR/AAA/AAA	ABS
WOART 2020-C	US\$37.77	3.99	0.87	BofA Securities/Mizuho/MUFG/Truist	NR/AA/AA	ABS
WOART 2020-C	US\$18.9	3.99	1.39	BofA Securities/Mizuho/MUFG/Truist	NR/A/A	ABS

Last week bankers were also looking to price a US\$464m conduit offering, **WFCM 2020-CS7**, whose biggest single-loan exposure is backed by a portfolio of storage properties from Prime Group Holdings that makes up 10% of the loan pool, according to Fitch.

Revenues on self-storage facilities have not fallen much which stands in stark contrast with other property types, notably hotel and retail, which have seen their incomes plummet during the pandemic.

Based on July data, self-storage loans in CMBS deals collected 99.3% of debt payments on time, compared with 67.4% for hotels and 83.5% for retail, according to Wells Fargo.

The resilience of the self-storage business drew solid demand across the senior and junior portion of the Merit deal, which is a cash-out refinancing to enable Merit Hill and Centerbridge to extract US\$24.95m in equity.

"We saw demand across the stack," a buy-side analyst said. "It was well absorbed by the market."

The floating-rate deal's US\$131m note, rated Aaa by Moody's, cleared at a spread of

115bp over one-month Libor, while the US\$43.5m Ba3 rated paper priced at one-month Libor plus 410bp.

That is wider than the average spread of 90bp on Triple A single asset CMBS notes backed by industrial property loans, according to Wells Fargo, but well inside the 185bp average for hotel properties.

JP Morgan and *Citigroup* were joint bookrunners on the Merit deal.

Meanwhile, most of the Triple A rated tranches in the **WFCM 2020-CS7** went subject last Thursday, a market source said.

While 14.1% of the conduit's loan pool is comprised of self-storage debt overall, a larger portion of the pool – roughly a third – comprised of riskier hotel and retail mortgages, Fitch said.

"Retail and hotel properties are expected to experience the most severe near-term revenue declines as a result of the ongoing efforts to contain the spread of the coronavirus," Fitch said in a pre-sale report on the offering.

Wells Fargo and *UBS* were the lead underwriters for the conduit issue.

US ABS

PRIME AUTO ABS ISSUERS PINCH RESERVE ACCOUNTS

Two issuers of US prime auto ABS rolled back the increase in the cash cushions they had structured into their offerings shortly after the Covid-19 pandemic, reducing protections for investors who still have concerns about potential increases in loan delinquencies.

Auto ABS issuers boosted the size of the reserve accounts in their deals in the aftermath of the pandemic, to give some comfort to investors worried about a jump in delinquencies in auto loans as the economy struggles through a recession.

The reserve account can be used to fund payments to bondholders if collections on the underlying car loans are worse than expected.

Reserve accounts of 0.25% of the total deal size were common before the pandemic, but many issuers, including **GENERAL MOTORS** and **TOYOTA MOTOR**, increased this to 1.00% as they accessed the ABS market after March.

“When Covid hit, we didn’t know how to model it, so issuers just decided to put some extra protection in the trades,” a senior ABS banker said.

But now with data on the performance of auto loans suggesting the economic impact on car borrowers has been less severe than feared, GM and Toyota have reduced the reserve accounts in recent offerings.

“Now, everyone is trying to make sure we have the right protection level out there. The performance has not been as dire as feared,” the ABS banker said.

Reducing the size of the reserve account means ABS issuers’ have to keep less cash in their ABS trusts each month, improving the efficiency of the financing.

It also means there is less protection for investors who remain worried if auto delinquency jumps and high unemployment persists.

“We are not out of woods yet. We are still in a risky environment here,” said Merganser Capital portfolio manager Peter Kaplan.

GM pledged a reserve account level of 0.75% the size of its latest deal, the US\$1.60bn GMCAR 2020-3, which was priced to strong demand last Tuesday.

On July 21, Toyota priced a US\$1.6bn prime auto transaction, TAOT 2020-C, with the reserve account was set at 0.50%, down from 1.00% seen in its prior deal, TAOT 2020-B, in April.

Unlike GM and Toyota, some prime auto issuers are sticking to their post-Covid reserve levels.

WORLD OMNI sold a US\$1.25bn prime auto deal, WOART 2020-C with a reserve account level of 1.00%, matching the level for its previous deal priced in June, according to Fitch.

PAYMENTS RESUME

The reduction in reserve accounts on GM and Toyota comes as data show some borrowers, who were granted relief on their car loans in the early stage of the health crisis, are making payments again.

US ASSET-BACKED SECURITIES

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	60	15,958.60	11.6
2 Barclays	52	12,390.51	9.0
3 Citigroup	53	12,247.03	8.9
4 Bank of America	40	9,478.52	6.9
5 Goldman Sachs	29	9,028.04	6.6
6 Wells Fargo	44	8,904.82	6.5
7 RBC	35	8,361.78	6.1
8 Deutsche Bank	40	7,256.19	5.3
9 Credit Suisse	35	7,198.02	5.2
10 Mizuho	25	6,389.22	4.6
Total	244	137,794.79	

Excludes MBS.

Source: Refinitiv

SDC code: F14

Modifications on auto loans have been retreating since their spike in April.

The modification rate on GMCAR issues slipped to 0.8% in June from 2.4% two months earlier, while the rate on Toyota prime deals fell to 1.6% from 6.7%, according to JP Morgan.

Still, Kaplan and other fund managers do not expect the modest decrease in reserve size would hurt demand for prime auto ABS as their losses are expected to stay low and car demand improve further amid the pandemic.

The average credit enhancement on prime auto ABS deals – taking into account reserve accounts, overcollateralisation and excess spreads baked into ABS transactions – is currently running at 6.2%, which is above than pre-pandemic level of 4.3%, according to Citigroup.

And in a sign of continued demand, the recent Toyota deal was upsized from US\$1.2bn as well as pricing its one-year notes with a yield of 0.364% compared with 1.392% on its previous deal in April.

“Auto ABS will continue to do pretty well,” said Paul Norris, head of structured products at Conning. “People want to use their own cars.”

THEOREM MAKES US CONSUMER LOAN ABS DEBUT

THEOREM PARTNERS debuted its first securitisation of unsecured consumer loans last Thursday, taking advantage of an uplift in sentiment after delinquencies in this type of debt fell in July.

That window, however, could be short-lived as the deadlock in Congress delays relief programmes that have supported this segment of the ABS market in recent months.

The investment firm offered a US\$255m three-part securitisation of loans originated by **LENDINGCLUB**, the biggest online platform that connects borrowers and investors.

The Theorem deal’s US\$199m note, with a 0.77-year WAL and rated A by Kroll, cleared at a spread of 225bp over EDSF,

GLOBAL STRUCTURED FINANCE IN US\$

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	136	60,899.98	14.4
2 Credit Suisse	117	51,357.84	12.2
3 Wells Fargo	105	46,362.81	11.0
4 Citigroup	116	40,277.05	9.5
5 Morgan Stanley	73	32,915.52	7.8
6 Bank of America	91	31,078.31	7.4
7 Goldman Sachs	106	30,258.77	7.2
8 Barclays	87	21,376.18	5.1
9 Nomura	58	16,833.70	4.0
10 Deutsche Bank	77	14,662.44	3.5
Total	697	422,210.26	

Including securitisations (Euro, foreign, global and domestics, excluding CDOs) and PFI bonds.

Source: Refinitiv

SDC code: B16b

which was tighter than a guidance of 240bp–250bp.

Credit Suisse was the bookrunner of the deal, **THRM 2020-1**.

Theorem’s debut ABS transaction came as issuance of marketplace consumer loans has picked up in recent weeks.

In addition to Theorem, **ONEMAIN FINANCIAL** priced a US\$1bn consumer loan ABS deal last Thursday, which was upsized from US\$500m.

MARLETTE FUNDING also raised US\$275.4m consumer loan transaction two weeks earlier, bringing year-to-date issuance of this fledgling ABS sector to US\$4.5bn, IFR data showed.

With some Americans returning to work and the government providing extra jobless benefits over the last few months, the level of overdue consumer loans have fallen from April and May highs.

Overall marketplace loan delinquencies stood at 1.46% based on July remit data, which was down 26bp from the prior month and down 13bp from a year earlier, according to Morgan Stanley analysts.

But this trend might end as the White House and US lawmakers struggle to reach an agreement to renew the extra jobless benefits that are seen as critical to holding down defaults and delinquencies.

“We believe falling participation in payment relief programmes will likely lead to higher delinquency and charge-offs, especially if federal assistance is not extended,” Bank of America analysts said on Monday.

“Spreads could come under pressure later in the year, as credit performance is expected to deteriorate,” they added.

Spreads on marketplace consumer ABS have retraced from their peaks in step with the broader credit market, but they remain wider than before the pandemic.

In the secondary market, five-year Single A rated unsecured consumer ABS spreads were quoted at 200bp over swaps. Yet while

STRUCTURED FINANCE – ALL INTL ISSUERS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	50	12,883.70	9.7
2 Credit Suisse	65	12,510.52	9.5
3 JP Morgan	61	12,434.04	9.4
4 Barclays	64	12,071.44	9.1
5 Deutsche Bank	55	10,222.68	7.7
6 Bank of America	46	9,981.03	7.5
7 Citigroup	56	9,452.38	7.1
8 Wells Fargo	37	6,806.20	5.1
9 Morgan Stanley	29	5,875.19	4.4
10 Nomura	34	5,149.08	3.9
Total	285	132,220.12	

Includes securitisations, PFI bonds, self-funded issues and credit-linked notes. Excludes US global ABS/MBS and CDOs.

Source: Refinitiv

SDC code: J10c

that is far tighter than the 600bp seen in early April, they are still 110bp wider than where they were at the end of 2019.

Against this market backdrop, Theorem selected the high-quality LendingClub loans to securitise, using its model that deploys “data science and machine learning to inform their investment decisions”, Kroll said in its pre-sale on the deal.

The San Francisco-based firm, which was co-founded in 2014 by former Morgan Stanley structured finance banker Hugh Edmundson, has been profitable for the last four years.

GM SENIOR AUTO ABS CLEARS TIGHT TO PRE-COVID LEVELS

GENERAL MOTORS last Tuesday priced the senior tranches on its third prime auto loan securitisation of 2020 at spreads tighter than their pre-pandemic levels, signalling continued investor demand for this part of the ABS market.

The US carmaker priced a US\$1.601bn offering, GMCAR 2020-3, which was upsized from US\$1.25bn and “well oversubscribed”, a source familiar with the deal said.

WORLD OMNI also priced a prime auto deal, WOART 2020-C, on Tuesday, which it increased to US\$1.2556bn from US\$900m.

The relative lack of ABS supply has been a key driver for securitised paper, offsetting worries about the failure of the government to extend extra unemployment benefits.

A rebound in car sales and used car prices have also stoked appetite for auto ABS, analysts and investors said.

And the expiration of extra jobless benefits at the end of July has had limited impact on auto delinquency and default rates.

Indeed, demand for prime auto ABS has been strong since primary activity was restored in April, causing yields to fall and spreads to narrow.

For example, GM’s latest US\$573m Triple A note, with a 2.41-year WAL, cleared at a

spread of 22bp over swaps or a yield of 0.46%, tight to guidance of 25bp–27bp.

Back in January, a similar tranche in GM’s US\$1.235bn prime auto issue, GMCAR 2020-1, was sold at a spread of 26bp for a yield of 1.857%.

The blended yield of 0.45% on GM’s Triple A rated note this week was its lowest ever on a senior prime tranche, the source familiar with the deal said.

Yet while spreads on senior prime and sub-prime auto deals have returned to pre-pandemic levels, junior tranches are still lagging on concerns about the job market.

The US\$20.3m Single A rated note in the latest GM deal priced at swaps plus 165bp for a yield of 1.924%. This compared to a spread of 60bp and a yield of 2.191% on a similar tranche in a US\$1.235bn GM ABS issue which was priced in January.

“We remain cautious on below investment-grade ABS as the weak economic fundamentals are likely to be reflected in credit performance in the coming months,” Wells Fargo analysts said in research note on Wednesday.

Citigroup, Bank of America, Credit Agricole and TD Securities were the GM deal’s lead underwriters and bookrunners.

ASIA-PACIFIC MBS

PEPPER SECURES TIGHTER MARGINS

PEPPER GROUP priced an upsized A\$1bn (US\$712m) non-conforming RMBS issue last Wednesday, **PEPPER PS27**, at spreads well inside the originator’s previous RMBS sale two months earlier.

CBA was arranger, and joint lead manager with Macquarie, NAB and Westpac, for the offering, which had an indicative issue size of A\$500m.

The A\$297.1m of Class A1 and A\$402.9m of Class A1a notes with respective WALs of 0.6 and 2.3 years, both with 30% credit

support, were priced 95bp and 165bp wide of one-month BBSW.

The A\$155m of Class A2 notes, A\$55m of Class B, A\$30m of Class C, A\$22m of Class D and A\$13m of Class E notes, with respective WALs of 3.2, 3.9, 3.9, 3.8 and 3.4 years, were priced at one-month BBSW plus 190bp, 290bp, 390bp, 515bp and 800bp.

The transaction was completed by A\$9.1m of Class F, A\$7.95m of Class G1 and A\$7.95m of Class G2 notes.

Respective credit support for the Class A2 to F notes is 14.5%, 9%, 6%, 3.8%, 2.5% and 1.6%.

The non-bank lender previously issued a A\$700m no-grow, non-conforming RMBS offering, Pepper PRS26, on June 10.

For that trade the Class A1s and A1a notes were priced 105bp and 180bp wide of one-month BBSW, or 10bp and 15bp wider than the latest equivalent tranches.

The PR26 Class A2 to D notes were priced at one-month BBSW plus 240bp, 310bp, 410bp and 535bp, or 50bp, 20bp, 20bp and 20bp more than the comparable notes, this time around.

Pre-Covid 19, Pepper sold the A\$750m equivalent non-conforming RMBS issue, Pepper PRS25 in October last year, which included US dollar and green euro tranches.

The A\$161.4m of Class A1a notes, with a shorter 2.3 year WAL, were priced at one-month BBSW plus 128bp.

The PRS25 Class A2, B, C and D notes, all with 4.0 year WALs, were priced at margins of 160bp, 190bp, 280bp and 380bp.

ASIA-PACIFIC ABS

CNH PRINTS 12TH ABS ISSUE

CNH INDUSTRIAL CAPITAL AUSTRALIA issued a A\$435m (US\$311m) ABS offering last Wednesday, CNH Industrial Capital Australia Receivables Trust Series 2020-1, backed by agricultural equipment loans.

ANZ was arranger and sole lead manager for the transaction.

The A\$189.325m of Class A1 and A\$200m of Class A2 notes, with respective 0.7 and 2.6-year WALs and 10.5% credit support, were priced at three-month BBSW plus 95bp and 110bp.

The transaction was completed by A\$10.875m of Class B, A\$8.7m of Class B and A\$26.1m of seller notes.

The consumer lender has previously issued 11 securitisations, the last being in August 2018 via the upsized A\$450m ABS, CNH Series 2018-1.

The A\$115m of Class A1 and A\$286.85m of Class A2 notes, with respective 0.5-year and 2.3-year WALs, were priced at three-month BBSW plus 73bp and 108bp.

GLOBAL CDOs

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	15	5,930.45	19.2
2 JP Morgan	8	4,896.14	15.9
3 Barclays	8	3,228.62	10.5
4 Credit Suisse	8	2,759.60	8.9
5 BNP Paribas	8	2,627.07	8.5
6 Bank of America	8	2,535.16	8.2
7 Morgan Stanley	5	2,118.83	6.9
8 Goldman Sachs	5	2,040.62	6.6
9 Natixis	3	1,152.04	3.7
10 Jefferies	3	1,039.90	3.4
Total	77	30,883.83	

Including Euro, foreign, global, US domestics.

Source: Refinitiv

SDC code: B12

ALL EUROMARKET CDOs

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	9	3,453.85	21.6
2 BNP Paribas	6	2,041.80	12.7
3 Credit Suisse	6	1,895.00	11.8
4 JP Morgan	4	1,658.24	10.3
5 Barclays	4	1,410.45	8.8
6 Bank of America	5	1,327.11	8.3
7 Goldman Sachs	3	1,230.22	7.7
8 Natixis	2	890.74	5.6
9 Morgan Stanley	2	743.26	4.6
10 Jefferies	1	507.90	3.2
Total	44	16,026.18	

Excludes global and domestic.

Source: Refinitiv

SDC code: J11

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 14/8/2020

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
US DOLLARS							
Aug 13 2020	Kommuninvest	US\$1.25bn	Dec 1 2022	0.25	99.884	MS+7 / T+14.55	0.301
EUROS							
Aug 10 2020	Free State of Saxony	€500m	Aug 17 2023	0.01	101.533	MS-7	-0.496
Aug 12 2020	Federal State of Berlin	€250m	Apr 13 2026	3mE+70	104.071	3mE flat	-
Aug 13 2020	Free and Hanseatic City of Hamburg	€250m incr (€750m)	Jun 30 2028	0.01	102.381	MS-2 / B+30.5	-0.289
NON CORE							
Aug 12 2020	Victoria	A\$200m incr (A\$360m)	Aug 18 2050	2.4	99.047	EFP+151, ACGB+73	2.445
Aug 12 2020	Victoria	A\$300m	Nov 20 2037	2	99.999	EFP+107.5, ACGB+63.5	2
Aug 13 2020	Inter-American Development Bank (SDB)	C\$500m	Aug 27 2027	0.875	99.393	MS+5 / GOC+50.7	0.965
Aug 13 2020	TCorp	A\$300m	Nov 20 2040	2.25	101.63	EFP+128, ACGB+61	2.185
Aug 14 2020	TCorp	A\$112m	Aug 24 2050	2.45	100	EFP+149.5, ACGB+58.5	2.45
Aug 14 2020	KBN	A\$40m incr (A\$140m)	Dec 30 2030	1.5	101.154	ASW+55, ACGB+40.6	1.38
CORPORATES							
US DOLLARS							
Aug 10 2020	Air Lease	US\$700m	Jan 15 2026	2.875	98.972	T+285	3.083
Aug 10 2020	Bunge	US\$600m	Aug 17 2025	1.63	99.995	T+140	1.631
Aug 10 2020	Chevron	US\$350m	Aug 12 2022	3ml+11	100	3ml+11	3ml+11
Aug 10 2020	Chevron	US\$400m	Aug 12 2022	0.333	100	T+20	0.333
Aug 10 2020	Chevron	US\$500m	Aug 11 2023	3ml+20	100	3ml+20	3ml+20
Aug 10 2020	Chevron	US\$500m	Aug 11 2023	0.426	100	T+28	0.426
Aug 10 2020	Chevron	US\$750m	Aug 12 2025	0.687	100	T+45	0.687
Aug 10 2020	Chevron	US\$750m	Aug 12 2027	1.102	100	T+60	1.102
Aug 10 2020	Chevron	US\$750m	Aug 12 2050	2.343	100	T+110	2.343
Aug 10 2020	Concho Resources	US\$500m	Feb 15 2031	2.4	99.761	T+185	2.426
Aug 10 2020	Ecolab	US\$600m	Jan 30 2031	1.3	99.942	T+73	1.306
Aug 10 2020	Ecolab	US\$500m	Aug 15 2050	2.125	99.121	T+93	2.164
Aug 10 2020	Essex Portfolio	US\$300m	Jan 15 2031	1.65	99.035	T+118	1.752
Aug 10 2020	Essex Portfolio	US\$300m	Sep 1 2050	2.65	99.691	T+143	2.665
Aug 10 2020	Great-West Lifeco	US\$500m	Aug 12 2025	0.904	100	T+67	0.904
Aug 10 2020	Kimco Realty	US\$400m	Mar 1 2028	1.9	99.554	T+155	1.964
Aug 10 2020	Motorola Solutions	US\$900m	Nov 15 2030	2.3	99.802	T+175	2.332
Aug 10 2020	S&P Global	US\$600m	Aug 15 2030	1.25	99.514	T+73	1.302
Aug 10 2020	S&P Global	US\$700m	Aug 15 2060	2.3	98.427	T+112.5	2.361
Aug 11 2020	Automatic Data Processing	US\$1bn	Sep 1 2030	1.25	99.746	T+65	1.277
Aug 11 2020	Comcast	US\$1.75bn	Feb 15 2031	1.5	99.663	T+90	1.535
Aug 11 2020	Comcast	US\$1.5bn	Aug 15 2052	2.45	99.21	T+118	2.486
Aug 11 2020	Comcast	US\$1.25bn	Aug 15 2062	2.65	99.098	T+138	2.686
Aug 11 2020	Eversource Energy	US\$300m	Aug 15 2025	0.8	99.814	T+55	0.838
Aug 11 2020	Eversource Energy	US\$600m	Aug 15 2030	1.65	99.972	T+100	1.653
Aug 11 2020	Eversource Energy	US\$300m (inc US\$500m)	Aug 15 2050	3.45	117	T+125	2.585

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+10 area, MS+8 area	0	>US\$3.1bn	Aaa/AAA	Barc/BNPP/Citi/Nordea	CB/OI 75%, Bks 21%, FM 4%; 43% EMEA, 24% Asia, 24% Nth America, 9% Central/Sth America
MS-7	-	-	-/AAA/-	UniCredit	-
-	-	-	Aa1/AAA/AAA (Scope)	Deka/UniCredit	-
MS-2 area	-	>€550m	-/-/AAA	Barc/DB/Helaba/JPM/RBI	-
-	-	-	Aaa/AAA/-	Nomura	-
-	-	-	Aaa/AAA/-	Nomura	-
MS+5 area	-	>C\$565m	Aaa/AAA	BMO/BofA/Scotia	-
-	-	-	Aaa/AAA/-	Citi	-
-	-	-	Aaa/AAA/-	NAB	-
-	-	-	Aaa/AAA/AAA	TD	-
T+300-312.5 T+290 area (+/-5)	6	US\$1.4bn	-/BBB/BBB	Miz/RBC/TD/WFS	-
T+185 area	-1	US\$4.7bn	Baa3/BBB	Citi/GS/JPM	-
3ml+equiv 3ml+equiv	-	US\$550m	Aa2/AA	Barc/Citi/JPM	-
T+35 area, T+25 area (+/-5)	6	US\$800m	Aa2/AA	Barc/Citi/JPM	-
3ml+equiv 3ml+equiv	-	US\$800m	Aa2/AA	Barc/Citi/JPM	-
T+45 area, T+30 area (+/-2)	4	US\$1.5bn	Aa2/AA	Barc/Citi/JPM	-
T+65 area, T+50 area (+/-5)	1	US\$2bn	Aa2/AA	Barc/Citi/JPM	-
T+85 area, T+65 area (+/-5)	3	US\$2.7bn	Aa2/AA	Barc/Citi/JPM	-
T+130 area, T+115 area (+/-5)	-2	US\$2.5bn	Aa2/AA	Barc/Citi/JPM	-
T+215 area	-12	US\$3.6bn	Ba1/BBB-/BBB-	BofA/JPM/WFS	-
T+105 area	-8	US\$2.3bn	Baa1/A-	Citi/CS/GS/JPM	-
T+125 area	-3	US\$2bn	Baa1/A-	Citi/CS/GS/JPM	-
T+145 area, T+120 area (+/-2)	-4	US\$1.3bn	Baa1/BBB+/BBB+	Citi/JPM/WFS/USB	-
T+170 area, T+145 area (+/-2)	-1	US\$1.1bn	Baa1/BBB+/BBB+	Citi/JPM/WFS/USB	-
T+90 area, T+70 area (+/-3)	-	US\$1.6bn	-/A+/A	JPM/MS/RBC	-
T+180 area, T+155 (the #)	-5	US\$1.3bn	Baa1/BBB+	BofA/Citi/MS/USB	-
T+215 area, T+175 (the #)	-10	US\$2.8bn	Baa3/BBB-/BBB-	DB/GS	-
T+100 area	1	US\$3.8bn	A3/A-	BofA/GS/JPM/MS(a)/Citi/Mizuho/DB	-
T+140 area	1.5	US\$4.7bn	A3/A-	BofA/GS/JPM/MS(a)/Citi/Mizuho/DB	-
T+75 area, T+70 area (+/-5)	-1	US\$1bn	Aa3/AA	BofA/JPM/MS	-
T+105 area, T+90 (the #)	5	US\$3.7bn	A3/A-/A-	BofA/GS/MS/WFS	-
T+135 area, T+120 area (+/-2)	2	US\$3.3bn	A3/A-/A-	BofA/GS/MS/WFS	-
T+155 area, T+140 area (+/-2)	3	US\$3.2bn	A3/A-/A-	BofA/GS/MS/WFS	-
T+90 area	-6	US\$2.3bn	Baa1/BBB+/BBB+	BofA/BONYM/GS/MUFG/TD/WFS	-
T+130 area	-5	US\$3.1bn	Baa1/BBB+/BBB+	BofA/BONYM/GS/MUFG/TD/WFS	-
T+155 area	0	US\$1.3bn	Baa1/BBB+/BBB+	BofA/BONYM/GS/MUFG/TD/WFS	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 14/8/2020 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Aug 11 2020	Host Hotels & Resorts	US\$600m	Sep 15 2030	3.5	98.702	T+300	3.665
Aug 11 2020	MPLX	US\$1.5bn	Mar 1 2026	1.75	99.785	T+150	1.791
Aug 11 2020	MPLX	US\$1.5bn	Aug 15 2030	1.65	99.913	T+200	2.66
Aug 11 2020	Republic Services	US\$650m	Feb 15 2031	1.45	99.517	T+85	1.5
Aug 11 2020	Toyota Motor Credit	US\$750m	Feb 14 2022	3ml+15	100	3ml+15	3ml+15
Aug 11 2020	Toyota Motor Credit	US\$1.4bn	Aug 14 2023	0.5	99.923	T+35	0.526
Aug 11 2020	Toyota Motor Credit	US\$600m	Aug 13 2027	1.15	99.953	T+70	1.157
Aug 13 2020	JetBlue Airways	US\$116m	May 15 2029	8	100	8	8
Aug 12 2020	Agree	US\$350m	Oct 1 2030	2.9	99.927	T+225	2.908
Aug 12 2020	CVS Health	US\$1.5bn	Aug 21 2027	1.3	99.72	T+85	1.342
Aug 12 2020	CVS Health	US\$1.25bn	Aug 21 2030	1.75	99.836	T+110	1.768
Aug 12 2020	CVS Health	US\$1.25bn	Aug 21 2040	2.7	99.954	T+135	2.703
Aug 12 2020	Marriott International	US\$1bn	Oct 15 2032	3.5	99.278	T+290	3.573
Aug 12 2020	NiSource	US\$1.25bn	Aug 15 2025	0.95	99.752	T+70	1.001
Aug 12 2020	NiSource	US\$750m	Feb 15 2031	1.7	99.924	T+103	1.708
Aug 12 2020	Public Service Enterprise Group	US\$550m	Aug 15 2025	0.8	99.775	T+55	0.846
Aug 12 2020	Public Service Enterprise Group	US\$550m	Aug 15 2030	1.6	99.816	T+95	1.62
Aug 12 2020	Public Service Co of New Hampshire	US\$150m	Sep 1 2050	2.4	99.152	T+110	2.44
Aug 13 2020	Apple	US\$1.25bn	Aug 20 2025	0.55	99.764	T+28	0.598
Aug 13 2020	Apple	US\$1.25bn	Aug 20 2030	1.25	99.757	T+58	1.276
Aug 13 2020	Apple	US\$1.25bn	Aug 20 2050	2.4	99.724	T+100	2.413
Aug 13 2020	Apple	US\$1.75bn	Aug 20 2060	2.55	99.933	T+118	2.593
Aug 13 2020	Flex	US\$250m (inc US\$425m)	Feb 1 2026	3.75	109.294	T+160	1.291
Aug 13 2020	Flex	US\$325m (inc US\$650m)	May 12 2030	4.875	114.863	T+235	3.058
Aug 13 2020	JetBlue Airways	US\$115.584m	May 15 2029	8	100	8	8
SWISS FRANCS							
Aug 12 2020	Kernkraftwerk Goesgen-Daeniken	SFr100m	Sep 30 2027	0.93	100.017	MS+135 / Eidg+151.6	0.927
NON CORE							
Aug 13 2020	Hemso Fastighets	SKr500m	Aug 21 2023	0.465	100	-	0.465
Aug 13 2020	Vasakronan	SKr300m	Aug 21 2023	0.465	100	MS+42	0.465
FINANCIALS							
US DOLLARS							
Aug 10 2020	Visa	US\$500m	Aug 15 2027	0.75	99.891	T+35	0.766
Aug 10 2020	Visa	US\$1bn	Aug 15 2031	1.1	99.546	T+57	1.146
Aug 10 2020	Visa	US\$1.75bn	Aug 15 2050	2	98.928	T+82	2.048
Aug 11 2020	CNA Financial	US\$500m	Aug 15 2030	2.05	99.748	T+145	2.078
Aug 11 2020	HSBC Holdings	US\$2bn	Apr 18 2026 (Apr 2025)	1.645	100	T+137	1.645
Aug 11 2020	HSBC Holdings	US\$1.5bn	Aug 18 2031 (Aug 2030)	2.357	100	T+172	2.357
Aug 11 2020	GLP Capital LP/ GLP Financing II Inc	US\$200m (inc US\$500m)	Jan 15 2031	4	103.824	T+290	3.548

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
T+365 area, T+315 area (+/-5)	-6	US\$4.8bn	Baa2/BBB-/BBB	BofA/JPM/WFS	-
T+175 area	-9	US\$3.8bn	Baa2/BBB/BBB	JPM/MUFG/RBC	-
T+230 area	-7	US\$4.2bn	Baa2/BBB/BBB	JPM/MUFG/RBC	-
T+105 area	-7	US\$1.6bn	Baa2/BBB+/BBB	BofA/Barc/JPM/TFC	-
3ml+30 3ml+15 (the #)	-	US\$1.2bn	A1/A+/A+	BNP/CACIB/HSBC/JPM/MUFG	-
T+60 area, T+35 (the #)	-2	US\$2.6bn	A1/A+/A+	BNP/CACIB/HSBC/JPM/MUFG	-
T+87.5 area, T+70 (the #)	-1	US\$1.5bn	A1/A+/A+	BNP/CACIB/HSBC/JPM/MUFG	-
mid 8s	0	US\$.bn	Baa2/-/BBB	CACIB/MS	-
T+265 area	-	US\$2.4bn	Baa2/BBB	Citi/WFS	-
T+120 area, T+90 area (+/-5)	-3	US\$5.1bn	Baa2/BBB	BofA/Barc/GS	-
T+135 area, T+115 area (+/-5)	-2	US\$3.2bn	Baa2/BBB	BofA/Barc/GS	-
T+160 area, T+140 area (+/-5)	-4	US\$5.2bn	Baa2/BBB	BofA/Barc/GS	-
T+330 area, T+295 area (+/-5)	-16	US\$3.2bn	Baa3/BBB-	BofA/DB/WFS	-
T+90 area, T+75 area (+/-5)	2	US\$3bn	Baa2/BBB+/BBB	Citi/CS/MS/WFS	-
T+125 area, T+105 area (+/-5)	2	US\$2bn	Baa2/BBB+/BBB	Citi/CS/MS/WFS	-
T+80 area	-3	US\$1.7bn	Baa1/BBB+	Barc/GS/TD	-
T+120 area	-3	US\$1.7bn	Baa1/BBB+	Barc/GS/TD	-
T+130 area	-1	US\$250m	A1/A+/A+	WFS/Key	-
T+45a T+28 (the #)	-2	US\$2.bn	Aa1/AA+/	Barc/JPM/GS	-
T+75a T+58 (the #)	2	US\$2.1bn	Aa1/AA+/	Barc/JPM/GS	-
T+115a T+100 (the #)	1	US\$2.2bn	Aa1/AA+/	Barc/JPM/GS	-
T+135a T+118 (the #)	-1	US\$2.3bn	Aa1/AA+/	Barc/JPM/GS	-
T+180a T+165a (+/- 5)	7	US\$700m	Baa3/BBB-/BBB-	BofA/MUFG/SMBC/USB	-
T+225a T+240a (+/-5)	11	US\$725m	Baa3/BBB-/BBB-	BofA/MUFG/SMBC/USB	-
mid 8s	-	-	Baa2/-/BBB	CACIB/MS	-
MS+140/155, MS+135/140	-	-	CS: Mid BBB(st.) UBS: BBB+(neg.) ZKB: BBB+	CS	-
-	-	-	-/A-/A	Danske	-
-	-	-	A3/-/-	Danske	-
T+60 area, T+40 area (+/-3)	-4	US\$2.8bn	Aa3/AA-	BofA/DB/JPM/WFS	-
T+75-80 T+60 area (+/-3)	1	US\$2.7bn	Aa3/AA-	BofA/DB/JPM/WFS	-
T+100-105 T+85 area (+/-3)	0	US\$4.1bn	Aa3/AA-	BofA/DB/JPM/WFS	-
T+180 area, T+150 area (+/-3)	-12	US\$500m	Baa2/A-	BofA/CITI/JPM/WFS	-
T+160 area, T+140 area (+/-3)	5	US\$6.1bn	A2/A-/A+	HSBC	-
T+200 area, T+175 area (+/-3)	3	US\$6.6bn	A2/A-/A+	HSBC	-
T+320-325	-4	US\$1.1bn	Ba1/BBB-/BBB-	BofA/FTS/JPM/WFS	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 14/8/2020 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Aug 11 2020	Lincoln National	US\$500m	Aug 15 2030	2.33	100	T+168	2.33
Aug 13 2020	Manulife Financial Corp (Formosa)	US\$1.155bn	Aug 27 2060 (Aug 27 2025)	3.05	100	-	3.05
COVERED BONDS							
SWISS FRANCS							
Aug 11 2020	PSHypo	SFr230m incr (SFr886m)	Jul 10 2028	0.375	104.474	MS+24 / Eidg+37	-0.187
Aug 11 2020	PSHypo	SFr200m incr (SFr377m)	Jan 25 2035	0.625	108.686	MS+23 / Eidg+37.2	0.022
Aug 11 2020	PSHypo	SFr250m	Aug 17 2040	0.125	101.843	MS+20/ Eidg+32.7	0.032
HIGH YIELD							
US DOLLARS							
Aug 10 2020	Ball	US\$1.3bn	Aug 15 2030	2.875	100	T+230	2.875
Aug 10 2020	Cascades	US\$300m	Jan 15 2028 (Jan 2023)	5.375	104.25	T+424	4.306
Aug 10 2020	CDW	US\$700m	Feb 15 2029	3.25	100	T+275	3.25
Aug 10 2020	Iron Mountain	US\$1.1bn	Feb 15 2031 (Feb 2026)	4.5	100	T+394	4.5
Aug 10 2020	Wyndham Hotels & Resorts	US\$500m	Aug 15 2028 (Aug 2023)	4.375	100	T+303	4.375
Aug 11 2020	Albertson's	US\$750m	Mar 15 2026	3.25	100	T+292	3.25
Aug 11 2020	Albertson's	US\$750m	Mar 15 2029	3.5	100	T+294	3.5
Aug 11 2020	Clearwater Paper	US\$275m	Aug 15 2028 (Aug 2023)	4.75	100	T+421	4.75
Aug 11 2020	Covanta	US\$400m	Sep 1 2030 (Sep 2025)	5	100	T+435	5
Aug 11 2020	Targa	US\$1bn	Feb 1 2031	4.875	100	T+422	4.875
Aug 11 2020	Post Holdings	US\$400m	Mar 15 2030 (Mar 2023)	4.625	105.5	-	3.78
Aug 11 2020	Williams SCOTSMAN	US\$500m	Aug 15 2028 (Aug 2023)	4.625	100	T+408	4.625
Aug 11 2020	Windstream Escrow	US\$1.4bn	Aug 15 2028 (Aug 2023)	7.75	100	T+722	7.75
Aug 11 2020	Xenia Hotels	US\$300m	Aug 15 2025	6.375	100	T+610	6.375
Aug 12 2020	Black Night	US\$1bn	Aug 15 2025 (Aug 2022)	3.625	100	T+305	3.625
Aug 12 2020	Booz Allen Hamilton	US\$700m	Sep 1 2028 (Sep 2023)	3.875	100	T+333	3.875
Aug 12 2020	Ford Motor	US\$1bn	Nov 17 2023	3.37	99.988	T+318.6	3.375
Aug 12 2020	Ford Motor	US\$1.25bn	Aug 17 2027	4.125	100	T+363.1	4.125
Aug 12 2020	FirstCash	US\$500m	Sep 1 2028 (Sep 2023)	4.625	100	-	4.625
Aug 12 2020	Occidental Petroleum	US\$900m	Sep 1 2025	5.875	100	T+558	5.875
Aug 12 2020	Occidental Petroleum	US\$600m	Sep 1 2028	6.375	100	T+581	6.375
Aug 12 2020	Occidental Petroleum	US\$1.5bn	Sep 1 2030	6.625	100	T+595	6.625
Aug 13 2020	ANGI Group	US\$500m	Sep 15 2028 (Sep 2023)	3.875	100	-	3.875
Aug 13 2020	At Home Holding	US\$275m	Sep 1 2025 (Sep 2022)	8.75	100	-	8.75
Aug 13 2020	PRA Group	US\$300m	Sep 1 2025 (Sep 2022)	7.375	100	T+705	7.375
Aug 13 2020	QVC	US\$500m	Sep 1 2028 (Sep 2023)	4.375	100	T+382	4.375
Aug 13 2020	Veritas	US\$1bn	Sep 1 2025 (Sep 2021)	7.5	100	T+720	7.5

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
T+205 area	5	US\$1.9bn	Baa1/A-	BofA/CS/JPM	-
-	-	-	-/A/A	StChTaiwan / HSBC / ANZ / BNPP / DBS	-
MS+24 area	-	-	Aaa	CS/Raiff/UBS	Ins 54%, Treasury 19%, AM 18%, Bks/PBs 9%
MS+23 area	-	-	Aaa	CS/Raiff/UBS	Ins 47%, AM 38%, Bks/PBs 11%, Treasury 4%
MS+20 area	-	-	Aaa	CS/Raif/UBS	Ins 53%, AM 29%, Bks/PBS 10%, PF 7%, Treasury 2%
3% area, 2.875%	-	-	Ba1/BB+	GS/ BAML/ C/ DB/BNPP/ Miz/ MS/ Rabo/ SMBC	-
1.043	-	-	Ba3/BB-	WFS	-
3.375%, 3.25%	-	-	Ba2/BB-	MS/ BARCS/ WFC/ JPM/ BofA/ CAPONE/ MUFG/ GS	-
0.046	-	-	Ba3/BB-	BARC/ GS/ HSBC/ JPM/ BAML/ CA/ MS/ MUFG/ WFS	-
4.5%/4.75%, 4.375%	-	-	Ba2/B+	BARC/ BAML/ DB/ CS/ GS/ WFS/ TRUIST/ MUFG/ SCOTIA/ USB/ JPM/ PJT	-
3.375% area	-	-	B2/BB-	BofA/ CS/ GS/ Citi/ JPM/ Wells/ Barc/ DB/ MS/ RBC/ BMO/ MUFG/ PNC/ USB	-
3.625% area	-	-	B2/BB-	BofA/ CS/ GS/ Citi/ JPM/ Wells/ Barc/ DB/ MS/ RBC/ BMO/ MUFG/ PNC/ USB	-
low 5's, 4.75%/5%	-	-	Ba3/BB-	JPM/WFS/BofA/GS	-
5.25% area, 5%/5.25%	-	-	B1/B	JPM/BofA /Citz/CA/MUFG/SMBC	-
4.875% area	-	-	Ba3/BB	WFS/BofA/CapOne/Citi/GS/RBC	-
104.50-105.50	-	-	-/-/-	BARC/ MS/ BofA/ BMO/ Citi/ CS/ DB/ GS/ JPM/ PNC/ RABO/ RBC/ STRH/ UBS/ WFS	-
4.75% area	-	-	B3/B+	JPM/BofA/DB/ING/BNP/M&T/ MUFG/PNC/BBVA	-
8.25% area, 8% area, 7.75%/8%	-	-	-/-/-	JPM/GS/TRUIST/CITI/DB/MS	-
6.375%-6.625%	-	-	B1/B+	JPM/JEFF/KEY/WFS/Citi/BofA/GS/ MS/RAJA	-
3.625% area	-	-	Ba3/B+	BofA/JPM/Truist/WFS/BMO/ CapOne/PNC/	-
-	-	-	Ba2/BB-	BofA/JPM/GS/SMBC/Wells	-
3.50% area (+/-12.5)	-	-	Ba2/BB+/BB+	Citi/CA/SG/SMBC	-
4.25% area (+/-12.5)	-	-	Ba2/BB+/BB+	Citi/CA/SG/SMBC	-
-	-	-	Ba1/BB	Jeff/WFS/CS	-
6% area, 5.375%	-	-	Ba2/BB+/BB	JPM/RBC/MUFG/SMBC/BofA/Barc/ Citi/HSBC/SG/WFS	-
6.375% area	-	-	Ba2/BB+/BB	JPM/RBC/MUFG/SMBC/BofA/ BARC/CITI/HSBC/SG/WFS	-
6.625% area	-	-	Ba2/BB+/BB	JPM/RBC/MUFG/SMBC/BofA/Barc/ Citi/HSBC/SG/WFS	-
4% area	-	-	Ba3//BB-	Bofa/JPM/BNP/GS/SocGen/Citi	-
8.75%/9%	-	-	Caa1/B-	Jeff/Gugg/Bofa/WFS	-
7.50% area	-	-	Ba2/BB+	BofA/Truist/Fifth Third/DNB/MUFG/ CapOne	-
4.25%-4.375%	-	-	Ba2/BB+/BBB-	BofA/JPM/CS/Truist/BNP/GS/Citi/ Credit Ag/TD/Mizuho	-
7.5%/7.75%	-	-	B2//B	MS/BofA/UBS/BARC/CITI/CS/GS/ HSBC/JEF/ MIZUHO/SMBC	-

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (14/8/2020)

Sovereign	Moody's		S&P		Fitch		Sovereign	Moody's		S&P		Fitch	
	1	2	3	4	5	6		1	2	3	4	5	6
Abu Dhabi	Aa2	–	AA	AA+	AA	AA+	Kyrgyzstan	B2	Ba3	–	–	–	–
Albania	B1	Ba2	B+	BB	–	–	Laos	–	–	–	–	B– n	BBB+
Andorra	–	Ba2	BBB	AAA	BBB+	A+	Latvia	A3	Aaa	A	AAA	A–	AAA
Angola	B3	B2	B– n	B–	B n	B	Lebanon	Caa2	Caa1	CCC n	CCC	CC	CCC
Argentina	Caa2	Caa1	CC n	B–	RD	CCC	Lesotho	–	–	–	–	B n ▼	B+
Armenia	Ba3	Ba1	–	–	BB–	BB	Liechtenstein	–	Aaa	AAA	AAA	–	–
Aruba	–	–	BBB+ n	BBB+	BBB– n	BBB	Lithuania	A3 p	Aaa	A	AAA	A– p	AAA
Australia	Aaa	Aaa	AAA	AAA	AAA n	AAA	Luxembourg	Aaa	Aaa	AAA	AAA	AAA	AAA
Austria	Aa1	Aaa	AA+	AAA	AA+	AAA	Macau	Aa3	Aa2	–	–	AA n	AAA
Azerbaijan	Ba2	Ba2	BBn	BB+	BB+	BB+	Macedonia (FYR)	–	–	BB–	BB	BB+ n	BBB–
Bahamas	Ba2 n	Baa1	BB+	BBB–	–	–	Malaysia	A3	A1	A– n	A+	A–	A
Bahrain	B2	Ba3	B+ p	BB–	BB–	BBB–	Maldives	B2 n	Ba3	–	–	B n	B
Bangladesh	Ba3	Ba2	BB–	BB–	BB–	BB–	Malta	A2	Aaa	A– p	AAA	A+	AAA
Barbados	Caa1	B2	B–	B–	–	–	Mauritius	Baa1	A2	–	–	–	–
Belarus	B3	B3	B	B	B	B	Mexico	Baa1 n	A1	BBB+ n	A+	BBB–	BBB+
Belgium	Aa3	Aaa	AA	AAA	AA–	AAA	Moldova	B3	B2	–	–	–	–
Belize	Caa1 n	B1	SD ▼	CC	–	–	Mongolia	B3 n	B1	B	B+	B	B+
Bermuda	A2	Aa3	A+	AA+	–	–	Montenegro	B1 p	Ba1	B+ n	AAA	–	–
Bolivia	Ba3	Ba2	B+	B+	B+	B+	Montserrat	–	–	BBB–	BBB–	–	–
Bosnia Herzegovina	B3	B3	B	BB–	–	–	Morocco	Ba1	Baa2	BBB–	BBB+	BBB– n	BBB
Botswana	A2 n	Aa3	A–	A+	–	–	Mozambique	Caa2	Caa1	CCC+	CCC+	CCC	B–
Brazil	Ba2	Ba1	BB–	BB+	BB– n	BB	Namibia	Ba2 n	Baa3	–	–	BB	BB+
Bulgaria	Baa2	A3	BBB	A	BBB p	A–	Netherlands	Aaa	Aaa	AAA	AAA	AAA	AAA
Cambodia	B2	B1	–	–	–	–	New Zealand	Aaa	Aaa	AA p	AAA	AA	AAA
Cameroon	B2	Ba2	B n	BBB–	B n	BB+	Nicaragua	B2n	B1	B–	B–	B– n	B–
Canada	Aaa	Aaa	AAA	AAA	AA+	AAA	Nigeria	B2 n	B1	B	B+	B+ n	B+
Cape Verde	–	–	B	BB–	B–	B	Norway	Aaa	Aaa	AAA	AAA	AAA	AAA
Cayman Islands	Aa3	Aa2	–	–	–	–	Oman	Ba3 n	Baa3	BB n	BB+	BB+	BBB–
Chile	A1	Aa2	A+	AA	A	AA	Pakistan	B3	B2	B–	B–	B–	B–
China	A1	Aa3	A+	A+	A+	A+	Panama	Baa1	A2	BBB+ n	AAA	BBB	A
Colombia	Baa2	A3	BBB–	BBB+	BBB n	BBB+	Papua New Guinea	B2	B1	B–	B–	–	–
Congo (DR)	B3 n	B3	CCC+	CCC+	–	–	Paraguay	Ba1	Baa3	BB	BB+	BB+	BB+
Congo (Rep)	Caa2 n	B2	B– n	BBB–	CCC	B+	Peru	A3	A1	BBB+	A–	BBB+	A–
Cook Islands	–	–	B+	AAA	–	–	Philippines	Baa2	A3	BBB+	A–	BBB p	BBB+
Costa Rica	B2 n	Ba2	B– n	BB–	B n	B+ n	Poland	A2	Aa3	A–	A	A–	AA–
Cote d'Ivoire	Ba3	Baa3	–	–	B+ p	BBB–	Portugal	Baa3 p	Aa3	BBB	AAA	BBB	AA
Croatia	Ba2 p	Baa3	BBB	BBB+	BBB– p	BBB+	Qatar	Aa3	Aa3	AA–	AA	AA–	AA
Cuba	Caa2	Caa2	–	–	–	–	Ras al-Khaimah	–	–	A	AA+	A	AA+
Curacao	–	–	BBB+	BBB+	–	–	Romania	Baa3 n	A3	BBB–	A–	BBB– n	BBB+
Cyprus	Ba2 p	A2	BBB–	AAA	BBB– p	A	Russia	Baa3	Baa2	BBB–	BBB	BBB	BBB
Czech Rep	Aa3	Aa1	AA–	AA+	AA–	AAA	Rwanda	B2	B1	B+ n ▼	B+	B+	B+
Denmark	Aaa	Aaa	AAA	AAA	AAA	AAA	St Vincent & Gren	B3	Ba3	–	–	–	–
Dominican Rep	Ba3	Ba1	BB– n	BB+	BB–	BB–	San Marino	–	–	–	–	BBB– n	BBB+
Ecuador	B3 n	B2	B–	B–	RD	CCC	Saudi Arabia	A1 n	A1	A–	A	A	A+
Egypt	B2	B1	B	B	B+	B+	Senegal	Ba3	Baa1	B+	BBB–	–	–
El Salvador	B3	B1	B–	AAA	B– n	B	Serbia	Ba3	Ba1	BB+	BBB–	BB+	BBB–
Estonia	A1	Aaa	AA–	AAA	AA–	AAA	Seychelles	–	–	–	–	B+	BB
Eswatini	B3	B1	–	–	–	–	Singapore	Aaa	Aaa	AAA	AAA	AAA	AAA
Ethiopia	B2	B1	B	B	B n	B	Slovakia	A2	Aaa	A+	AAA	A	AAA
Fiji	Ba3 n	Ba3	BB–	BB–	–	–	Slovenia	Baa1 p	Aa1	AA–	AAA	A	AAA
Finland	Aa1	Aaa	AA+	AAA	AA+ p	AAA	Solomon Islands	B3	B2	–	–	–	–
France	Aa2 p	Aaa	AA	AAA	AA n	AAA	South Africa	Baa3 n	A3	BB–	BB+	BB+ n	BBB–
Gabon	Caa1 p	B1	–	–	B	BB+	South Korea	Aa2	Aa1	AA	AAA	AA–	AA+
Georgia	Ba2	Baa3	BB	BBB–	BB n	BBB–	Spain	Baa1	Aa1	A	AAA	A–	AAA
Germany	Aaa	Aaa	AAA	AAA	AAA	AAA	Sri Lanka	B2	Ba3	B–	B–	B– n	B–
Ghana	B3 n	B1	B n	B+	B	B	Suriname	Caa3 n	Ba3	SD	CCC–	CC	CCC
Greece	Baa1	B1	BB–	AAA	BB	BBB+	Sweden	Aaa	Aaa	AAA	AAA	AAA	AAA
Guatemala	Ba1	Baa3	BB–	BB+	BB n	BB+	Switzerland	Aaa	Aaa	AAA	AAA	AAA	AAA
Honduras	B1	Ba2	BB–	BB	–	–	Tanzania	B1n	Ba3	–	–	–	–
Hong Kong	Aa2 n	Aaa	AA+	AAA	AA–	AAA	Taiwan	Aa3	Aa2	AA–	AA+	AA–	AA+
Hungary	Baa3	Baa1	BBB	A–	BBB	A	Thailand	Baa1	A2	BBB+	A	BBB+ p	A–
Iceland	A3 p	A3	A	A	A n	A+	Trinidad & Tobago	Ba1 n	Baa3	BBB	BBB+	–	–
India	Baa3 n	Baa1	BBB–	BBB+	BBB–	BBB–	Tunisia	B2 n	Ba3	–	–	B	B+
Indonesia	Baa2	A3	BBB n	BBB+	BBB	BBB	Turkey	B1n	B1	B+	BB–	BB–	BB–
Iraq	Caa1	B3	B–	AAA	B– n	B–	Turks & Caicos	–	–	BBB+	AAA	–	–
Ireland	A2	Aaa	AA–	AAA	A+	AAA	Uganda	B2	Ba3	BB	A–	B+ n	B+
Israel	A1	Aa3	AA–	AA+	A+	AA	Ukraine	B3	B3	B	B	B p	B
Italy	Baa3	Aa3	BBB n	AAA	BBB–	AA–	UAE	Aa2	Aa2	–	–	–	–
Jamaica	B2	Ba3	B+ n	BB–	B+	BB–	UK	Aa2	Aaa	AA +	AAA	AA n	AAA
Japan	A1 p	Aaa	A+	AA+	A	AAA	USA	Aaa	Aaa	AA+	AAA	AAA n	AAA
Jordan	B1	Ba1	B+	BB	BB– n	BB	Uruguay	Baa2	A2	BBB	A–	BBB– n	BBB+
Kazakhstan	Baa3 p	Baa2	BBB–	BBB	BBB	BBB+	Uzbekistan	–	–	BB– n	BB–	–	–
Kenya	B2 n	Ba3	B+ n	BB–	B+	BB–	Venezuela	C	Ca	SD	CC	–	–
Kuwait	Aa2	Aa2	AA– n	AA	AA	AA+	Vietnam	Ba3	Ba1	BB	BB	BB p	BB
							Zambia	Caa2 n	B3	CCC+	CCC+	CCC	B–

1 Moody's Government Bonds
2 Moody's Country Ceilings
3 S&P Government Bonds
4 S&P Transfer and Convertibility Assessments

5 Fitch Government Bonds
6 Fitch Country Ceilings
p Positive outlook/on watch for upgrade

n Negative outlook/on watch for downgrade
N New rating
W Rating withdrawn
SD Selective default

* Taken off positive watch/outlook
** Taken off negative watch/outlook

▲ Improvement in ratings, outlook or watch status
▼ Deterioration in ratings, outlook or watch status

■ FRONT STORY PRIMARY MARKETS

No rest for Latin America bankers

» Busy start to month with more supply expected

While out-of-office messages typically fill the in-boxes of Latin America and Caribbean-focused bankers in the summer months, this August is shaping up to be one of the busiest in recent years for the region's primary bond markets.

Uncertainty over the looming US presidential elections, continued fallout from the Covid-19 pandemic, ultra low rates and strong investor appetite have borrowers moving sooner rather than later to get ahead of the September rush.

The region saw four issuers raise US\$2.98bn in the first 11 days of August alone, surpassing volumes for that month in its entirety during the past two years when supply reached just US\$200m in 2019 and US\$30m in 2018.

And supply is likely to grow in the weeks ahead, say bankers.

Aside from the need to raise funding in an uncertain environment, strong technicals are working in issuers' favour.

Relatively low rates has crossover accounts on the hunt for yield.

"With IG credit becoming more expensive, people will be moving out of IG credit in the US into other IG opportunities outside of the US," said Francesc Balcells, portfolio manager with FIM Partners.

"We think that emerging market IG will be a very natural receptacle of those flows out of core IG into something with more yield in the eyes of those investors."

Indeed most of the Latin American issuers issuing this month have been investment-grade credits.

These include a debut deal from Chile's **EMPRESA FERROCARILES DEL ESTADO**, a secured transaction from **AES PANAMA**, and a bond from **BANCO NACIONAL DE PANAMA**.

Pent-up demand has resulted in strong order books and healthy secondary market performance.

Banco Nacional de Panama, for example, saw US\$5bn in demand for its US\$1bn deal, while AES Panama generated a similar amount of interest for its US\$1.38bn bond.

And both those bonds have rallied a couple of points since issuance.

"Books have been healthy and oversubscribed in Latin America. We have seen that in every space, also in IG," said a syndicate banker.

While exact issuance for Latin America for the remainder of the month is challenging to predict, there are at least a couple of deals in the pipeline, bankers said.

One of those deals is expected as soon as this week, as **BERMUDA** prepares a new dollar note to fund a tender offer.

Across the board, however, bankers and investors are expecting a busy period after Labor Day (7 September), with heightened activity in September and October.

"Volume-wise it's tough to say for Latin America, but September should be pretty busy if markets hold tight. But we're in unpredictable times right now and if things get shut down again because of Covid-19, everything could come to a complete stop," said a second syndicate banker.

Miluska Berrospi

Belarus bonds suffer following elections unrest

» Sovereign bonds widen after protests against poll

BELARUS sovereign bonds came under pressure during the week after President Alexander Lukashenko cracked down on protests triggered by a disputed election and the European Union raised the spectre of new sanctions.

The yields on the US\$500m 5.875% February 2026s and US\$750m 6.378% February 2031s, placed together in June, climbed sharply during the week. The 2026s jumped over 100bp up to 7.22%, while the 2031s moved by almost 50bp to 7.14%, according to Refinitiv.

"Belarus bonds finally taking a beating," said Tim Ash, senior EM sovereign strategist at BlueBay Asset Management.

"Surprised me that it has taken so long given the crisis still seems set to be evolving along an uncertain course, sanctions risks and then risks of stressing/complicating Belarus - EU, Russia, Ukraine relations, plus risks then of dragging Russia and Ukraine into a crisis in Minsk."

The climbing yields came as diplomats and officials said that new sanctions from

the EU could be imposed later this month.

Uday Patnaik, head of EM debt at LGIM, was one investor who participated in Belarus' US\$1.25bn dual-tranche transaction in June in order to cover an underweight position.

He said his position had been generally underweight due to the country's relatively weak financial position, valuations and the elections.

"We remain underweight for the time being post-elections," said Patnaik. "That said, even though the economy has suffered due to the coronavirus, Belarus has sufficient funding sources near-term and should muddle through."

Belarus is rated B3/B/B.

Moody's said on August 10 that the risk of new sanctions and further protests were weighing on the sovereign's creditworthiness.

"The heightened political instability may also limit access to bilateral and multilateral financing, particularly from the West. This

could increase Belarus' reliance on funding from Russia (Baa3 stable), which can be subject to disruption, and China (A1 stable)," said Moody's.

"The government faces increased financing requirements this year as the economic downturn and fiscal support have raised borrowing needs at the same time as it confronts an elevated debt-repayment schedule."

Moody's said the US\$1.25bn bond issue, though, had helped alleviate pressure on government liquidity.

The placement of the notes earlier this year saw the attraction of the yield on offer outweighing any ESG concerns investors might have had, with demand reaching US\$5bn.

"Most big investment houses are marketing themselves as ethical investors with big ESG angles," said Ash.

"I bet all the same funds are long Belarus bonds and probably will buy more if Lukashenko wins out with no sanctions."

Robert Hogg

WHAT IS AVAXHOME?

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ASIA-PACIFIC

CHINA

YUNNAN PROVINCIAL ENERGY PRINTS FIRST LGFV PERP THIS YEAR

YUNNAN PROVINCIAL ENERGY INVESTMENT GROUP has raised US\$300m from a dual-tranche Reg S bond offering, including the first offshore perpetual by a Chinese local government financing vehicle this year.

The state-owned company, rated BBB (stable) by Fitch, on Thursday priced a US\$150m 3.5% three-year senior unsecured note at 99.774 to yield 3.58%, the tight end of final guidance of the 3.58%–3.6% area and inside initial guidance of the 4.2% area.

It also priced US\$150m 4.5% senior perpetual non-call three securities at 99.171 to yield 4.8%, the wide end of final guidance of the 4.75%–4.8% area and inside initial guidance of the 5.2% area.

Central state-owned enterprises commonly issue perps as a way to deleverage, but only a few LGFVs have done so. The previous one was Shandong Hi-Speed Group's US\$900m 4.3% senior perpetual non-call five in July last year.

Yunnan Provincial Energy, which first tapped the offshore bond market in 2014, was eager to innovate and went for a debut perpetual, the first from China's south-west, a banker on the deal said.

"Deleveraging was not the main purpose as its leverage is not high, but scoring a first from the south-west region will count as an achievement for the company's management," said the banker.

Yunnan Provincial Energy has a US\$550m offshore debt issuance quota but has low funding needs. It therefore set a deal size of US\$300m from the start. However, in order

to compensate for the higher cost of perps relative to senior bonds, it split the deal into two tranches, the banker said.

The senior notes have an expected BBB rating and the perp an expected BBB– rating by Fitch. The perp coupon would reset at an initial spread of 461bp wide of prevailing Treasuries plus a 300bp step-up if not called on the first call date of August 20 2023.

Yunnan Provincial Energy Investment Group is more than 90% indirectly owned by Yunnan SASAC, with 83.1% held through Yunnan Provincial Investment Holdings Group.

The group invests in the energy sector in Yunnan province and has also diversified in the past five years into financial services, industrial parks, energy technology and salt and chemical production.

Fitch expects Yunnan SASAC to directly hold some of the group's shares after injecting 15.1% of China Copper into it.

GREAT WALL AMC INTL BOND DEAL HOT

CHINA GREAT WALL AMC (INTERNATIONAL) HOLDINGS US\$500m bond offering has attracted over US\$4.5bn of final orders from 135 accounts.

The 2.375% 10-year senior unsecured notes were priced at 99.797 to yield 2.398%, or Treasuries plus 172.5bp, the tight end of final guidance of 172.5bp–175bp and well inside the initial 215bp area guidance.

A banker on the deal said the bonds were priced about 10bp inside its curve.

The final pricing was also inside the Nomura's fair value estimate of 185bp and CreditSights' estimate of 175bp.

The notes have expected ratings of BBB+/A– (S&P/Fitch), on par with the guarantor.

The offshore financing and operating arm of China Great Wall Asset Management plans to use the proceeds for refinancing.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	186	44,145.98	8.8
2 HSBC	240	39,133.36	7.8
3 JP Morgan	174	37,642.05	7.5
4 Standard Chartered	157	26,913.86	5.4
5 Goldman Sachs	98	25,335.03	5.1
6 Deutsche Bank	93	23,420.86	4.7
7 BNP Paribas	106	21,755.38	4.4
8 Bank of America	100	20,938.93	4.2
9 Credit Agricole	91	14,276.91	2.9
10 Credit Suisse	101	12,911.07	2.6
Total	793	500,025.99	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L1

ICBC LEASING PLANS DOLLAR BOND

ICBC FINANCIAL LEASING has hired banks for a proposed Reg S offering of US dollar senior unsecured notes.

ICBC, ANZ, Bank of China, Bank of Communications, BNP Paribas, CCB International, Goldman Sachs, HSBC, JP Morgan and Mizuho Securities are helping to arrange fixed-income investor calls, which started on August 14.

The proposed notes, with expected ratings of A2/A (Moody's/S&P), will be issued under an MTN programme established by ICBCIL Finance. They will have a keepwell and liquidity support deed and a deed of asset purchase undertaking provided by ICBC Financial Leasing.

INDONESIA

FITCH CUTS AGUNG PODOMORO LAND

Fitch on August 7 downgraded **AGUNG PODOMORO LAND** (APLN) to C from CCC– after a subsidiary of the Indonesian property company agreed to restructure its rupiah bonds.

The ratings agency has kept APLN's US\$300m bonds due June 2 2024 at CCC– but placed them on Rating Watch Negative.

APLN announced that **SINAR MENARA DELI**, in which it holds a 58% stake, had agreed with bondholders to change the key terms of Rp350bn (US\$24m) of bonds that were due to be redeemed on August 26.

The maturity date of SMD's bonds will be changed to August 22 2021 and the coupon increased to 11.61% from 11.00%, following the signing of an indicative term sheet.

Fitch considers the changes to the onshore bonds to constitute a distressed debt exchange.

SMD is a restricted subsidiary under APLN's US dollar bonds documentation and when the rupiah bond restructuring is completed it could trigger a cross-acceleration of APLN's US dollar bonds.

SMD had only Rp50bn of cash at the end of June, according to Fitch, while APLN had a consolidated cash balance of Rp492bn, down from Rp767bn at the end of March. APLN has a US\$12m coupon payment due on its dollar bonds in December.

Moody's in April cut APLN to B3 with a negative outlook from B2.

APLN's 2024 bonds were quoted at a cash price of 57 on Friday, according to Refinitiv data.

MALAYSIA

AXIATA GETS STRONG RECEPTION

Malaysian telecommunications company **AXIATA GROUP** has raised US\$1.5bn from an upsized dual-tranche Reg S bond offering,

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 HSBC	184	20,768.66	8.6
2 Citigroup	107	14,948.70	6.2
3 Standard Chartered	119	12,812.49	5.3
4 Bank of China	135	10,476.75	4.3
5 UBS	97	10,123.32	4.2
6 JP Morgan	80	8,792.77	3.6
7 Bank of America	55	8,540.87	3.5
8 Credit Suisse	85	8,177.64	3.4
9 Goldman Sachs	51	7,746.22	3.2
10 Credit Agricole	71	7,447.50	3.1
Total	528	242,168.29	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L4

Li & Fung pays for ratings risk

■ ASIA Supply chain manager sells first offshore bond since delisting

Supply chain manager **LI & FUNG** provided downgrade protection in its latest US dollar bond offering to compensate for the risk of becoming a fallen angel, in a structure rarely seen in Asia.

On Tuesday, the Hong Kong-headquartered company, which connects suppliers and vendors with retailers, sold US\$300m five-year bonds at par to yield 4.5%, inside initial guidance of 4.9% area.

The Reg S benchmark senior unsecured bonds have expected ratings of Baa3/BBB, in line with the issuer.

Both Moody's and S&P have negative outlooks on their ratings, so the new issue comes with some protection against future downgrades.

The interest rate will increase by 25bp for each notch the bonds are downgraded below investment grade, capped at a total of 100bp if the bonds are cut to Single B or below. If the ratings agencies subsequently upgrade them again, the interest rate will decrease by 25bp per notch, subject to a floor at the initial rate.

This downgrade protection will drop away if Li & Fung is ever upgraded to Baa1/BBB+ (Moody's/S&P), each with a stable or positive outlook.

Globally, downgrades from investment grade to junk have affected some US\$154bn of bonds already this year and there is another US\$466bn outstanding from issuers rated BBB- with a negative outlook, according to a research note from asset manager Legg Mason on July 27. Moody's recorded just five fallen angels in Asia-Pacific between July 1 2019 and June 30 2020.

The downgrade protection structure is common in the US bond market, but it is relatively new to Asia.

Sands China's US\$1.5bn dual-tranche Yankee offering in June, rated Baa2/BBB-/BBB- at time

of pricing, also offered investors an additional 25bp for each one-notch downgrade below investment grade, capped at 200bp. As a Macau casino credit, that deal was driven in large part by US investors who have a deep familiarity with the gaming sector.

"Asia has been on an uptrend in recent times with lots of sovereigns being consistently upgraded, so it's more rare for investment-grade issuers to be downgraded to sub-IG," said a banker on the Li & Fung deal. "In the US there are a lot more mature issuers that have been through challenging business cycles."

Some Asian issuers are reluctant to pay for downside protection, the lead added. He said that the 100bp cap offered in the Li & Fung issue struck a middle ground between investor demands and the issuer's interests.

"I hope issuers with some pressure on ratings will start to consider this structure in future," he said.

PUBLIC TO PRIVATE

Investors had shown interest at yields as far apart as 4.25% and 5%, but the final pricing of 4.5% left a modest new-issue concession of 10bp-15bp.

Li & Fung's October 2024 bonds, which are rather illiquid, were yielding 4.31% on Tuesday morning, but rallied to 4.24% when guidance was announced.

Accounting for the curve extension to five years, fair value was seen at 4.35%-4.4%. The new bonds were seen at 100.00-100.25 in the aftermarket on Wednesday morning.

Although the deal was marketed on a yield basis, the Treasury spread of 423.4bp looked attractive to investors compared with Asian crossover credits like Country Garden Holdings, Shimao Group Holdings and Zhejiang Geely

Holding Group which trade as much as 100bp tighter.

The risk of a downgrade deterred some investors like insurers, but books peaked at over US\$1.7bn, with demand from Europe, Asia and some interest from offshore US accounts. Official book statistics were not released.

Adding to the factors for investors to study, this was the first bond offering since Li & Fung was delisted in May, after 28 years on the Hong Kong stock exchange.

The Fung family continues to control Li & Fung, with 60% of the voting shares, while Singapore-headquartered logistics group GLP holds 40% of the voting shares and 100% of the non-voting shares following the transaction. GLP itself is owned by shareholders, including Vanke Real Estate, Hillhouse Capital and Hopu Logistics Investment Management, following a buyout in 2017.

Li & Fung's 2024 bonds were yielding around 9.2% at the time of the buyout in March, having dropped 17 points since they were sold six months earlier.

The company had been facing challenges even before the coronavirus pandemic struck. Core operating profit decreased by 22.9% to US\$228m in 2019, as store closures and retailer bankruptcies outweighed gains in market share. This year could be even tougher, as the economic slowdown related to the Covid-19 crisis reduces demand from retailers.

"The coronavirus pandemic has increased Li & Fung's already heightened business risks and will significantly reduce its earnings and cashflow this year, and we expect only a gradual recovery in 2021," wrote Gloria Tsuen, a Moody's vice-president and senior credit officer, on August 7.

Daniel Stanton

despite aggressive price tightening that saw orders almost halve from their peak.

A US\$500m 10-year sukuk tranche was priced at par to yield 2.163% or Treasuries plus 148bp, the tight end of final guidance and inside initial guidance of plus 200bp area.

A US\$1bn 30-year bond tranche was priced at par to yield 3.064% or Treasuries plus 170bp, in line with final guidance and inside initial guidance of plus 220bp area.

The 10-year Islamic tranche came at the lowest coupon/profit rate for any US dollar offering from Malaysia's corporate sector, while the conventional tranche was upsized from US\$500m and priced at the lowest 30-year US dollar coupon for a standalone

corporate issue from Asia, excluding callable bonds.

"The issuer had a different target investor base for the 30-year tranche, like insurance companies, and saw very good demand on the back of its rarity and operations in the relatively stable telecommunications sector," said a banker on the deal.

Axiata last visited the international bond market in 2016. The company, rated Baa2/BBB+ (Moody's/S&P), is one of Asia's largest regional cellular telecoms providers and is majority-owned by Malaysian government-linked entities.

One private banker said the scarcity of telecoms bonds also made the deal attractive to investors. Including Axiata, only six Asian

telecoms companies have tapped the international bond market this year, including Singtel, PLDT and Globe Telecom, according to IFR data.

The sukuk tranche was fixed at US\$500m because Axiata has a US\$500m sukuk issue due in November, the banker said.

The dual-tranche deal is the company's single largest offering and includes its longest-dated tenor.

Leads referenced recent issues from Malaysia's state oil company Petroliaam Nasional (Petronas) to derive fair value as Axiata's 2026s are illiquid and outdated.

The issuer's bonds were trading in the Treasuries plus 180bp area, while the new bonds were priced just 35bp back of

Petronas, rated A2/A– (Moody's/S&P), with the same 10-year and 30-year tenors.

The tight pricing led to a dramatic drop in orders from a peak of more than US\$11.4bn when final guidance was announced. Still, the senior notes were covered more than 4.5 times at pricing, receiving combined final orders of over US\$6.8bn.

The new bonds held up well on their first trading day, with the 10-year sukuk trading around 5bp tighter and the 30-year seen around reoffer.

Orders came in at US\$3.8bn from 136 accounts for the sukuk tranche and US\$3bn from 109 accounts for the 30-year portion.

CIMB, Citigroup, Standard Chartered and UBS were bookrunners.

SOUTH KOREA

KT CORP HIRES FOR US DOLLAR BOND

Telecoms company **KT CORP** has hired *BNP Paribas, Citigroup, Credit Agricole, HSBC* and *Standard Chartered* for a proposed US dollar bond offering that could come as early as the end of this month, according to market sources.

The issue size and format are undecided yet, one of the sources said.

KT, rated A3/A–/A, previously visited the international bond market in July last year to print a dual-tranche Samurai bond. The company last issued a US dollar bond in 2017 when it raised US\$400m from a five-year note.

KEXIM SENDS RFP FOR OFFSHORE BOND

The **EXPORT-IMPORT BANK OF KOREA** (Kexim) has sent a request for proposal to banks for a potential offshore bond offering, according to market sources.

The issue size and currency are not decided yet, said a source close to the potential deal.

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 14/8/2020

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
ASIA							
Aug 7 2020	E-House (China) Enterprise	US\$100m incr (US\$300m)	Apr 18 2022	7.625	100.99	-	6.98
Aug 7 2020	Beijing Properties (Holdings)	US\$150m incr (US\$750m)	February 27 2023	5.95	99.88	-	6
Aug 11 2020	Redco Properties	US\$300m	Aug 19 2021	8.5	98.885	-	9.7
Aug 11 2020	Li & Fung	US\$300m	Aug 18 2025	4.5	100	T+423.4bp	4.5
Aug 11 2020	Hangzhou Qiantang New Area Construction and Investment Group	US\$300m	8/18/2023	3.2	100	-	3.2
Aug 11 2020	Fantasia Holdings	US\$200m incr (US\$500m)	May 7 2022	7.95	99.935	-	7.98
Aug 12 2020	BOC Sydney	A\$600m incr (A\$0None)	Aug 18 2023	0	100	3M BBSW+80	0
Aug 12 2020	Yunda Holding	US\$500m	Aug 19 2025	2.25	99.864	T+197.5	2.279
Aug 12 2020	Axiata Group	US\$1bn	Aug 19 2050	3.064	100	T+170	3.064
Aug 12 2020	Axiata Group	US\$500m	Aug 19 2030	2.163	100	T+148	2.163
Aug 12 2020	MTR Corp	US\$1.2bn	Aug 19 2030	1.625	98.695	T+108	1.768
Aug 12 2020	Guotai Leasing	US\$200m	Aug 19 2023	4	100	-	4
Aug 12 2020	China Great Wall AMC (International)	US\$500m	Aug 18 2030	2.375	99.797	T+172.5	2.398
Aug 12 2020	CIFI Holdings	Rmb1.2bn	19/8/2023 (19/8/2022)	5.85	100	-	5.85
Aug 12 2020	Keong Hong Holdings	S\$48m	Aug 19 2023	6.25	100	-	-
Aug 13 2020	Yunnan Provincial Energy Investment	US\$150m	Aug 20 2023	3.5	99.774	-	3.58
Aug 13 2020	Yunnan Provincial Energy Investment	US\$150m	Perpetual (20/8/2023)	4.5	99.171	T+461	4.8
LATIN AMERICA							
Aug 10 2020	AES Panama Generation	US\$1.38bn	May 31 2050	4.376	100	T+380.3	4.375
Aug 11 2020	Empresa de los Ferrocarriles del Estado	US\$500m	Aug 18 2050	3.068	100	T+175	3.068

The South Korean policy bank, rated Aa2/AA/AA-, previously visited the international bond market in May to print a A\$700m (US\$500m) dual-tranche Kangaroo bond, which was the first Kangaroo issue by a South Korean credit this year.

THAILAND

SOVEREIGN JOINS SOCIAL BOND PUSH

The **KINGDOM OF THAILAND** last Thursday raised Bt30bn (US\$966.7m) from an inaugural sustainability bond that builds on growing

demand for the asset class and helps fund its response to the Covid-19 crisis.

The bonds, due December 2035, priced at par to yield 1.585% in a deal managed by the Ministry of Finance's Public Debt Management Office (PDMO).

This will be the first issuance in the government's overall plan to sell Bt100bn of green and social bonds over the next two years to ensure sufficient liquidity and deepen awareness among local investors.

"We made it very clear to the investors that the bond will become the new 15-year benchmark in the Thai government bond yield

curve," said a government official close to the deal.

The new bond was priced slightly inside the current 15-year TGB benchmark, which was quoted at 1.59% on Thursday.

As part of its goal to diversify and expand its investor base, the Thai government reached out to global investors in addition to local investors during the roadshows. Demand was healthy with books reaching Bt60bn. Foreign investors, including foreign banks, made up 20% of final allocations, said the government source.

The offering was split into two tranches. The proceeds from a Bt10bn tranche will

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
7.25% 6.98%#	area, -	US\$550m	-/BB-/BB+ (Lianhe)	BOCI/Citi/CRIC/AMTD/Central/ CMBC Cap/CMBI/Orient/Vision/ Haitong/Valuable/Soochow Securities International/Valuable Capital	-
0.06	-	-	-/-/-unrated	Guotai Junan/Silk Road/Industrial/ BOSC/CCBI/SPDB/CNCBI/CMCI	-
10.125% area	-	US\$2.4bn, 166acs	-/-/B	CS/UBS/Barc/BNPP/StCh/Haitong/ DB/Heungkong/Orient/CRIC/BEA	Asia 96%, Europe 4% Funds 71%, PB 26%, Banks 3%
4.9% area	44119	-	Baa3/BBB/-	Citi/GS/DBS/Miz/MUFG/StCh	-
3.90% area	-	-	-/-/-unrated	Guosen / ABCI/BOSC/CMBC Cap/CMBCHK/ GF Sec/CNCB HK/BoC/Haitong Goldbridge Securities	-
8.375% area	-	-	B3/B/-	Barc/BNPP/DB/UBS/Haitong	-
3M BBSW+87a	-	A\$0	A1/A/A	MQB/NAB/WBC/BoC	-
T+245 T+200 (+/-2.5)	area -	US\$3.1bn, 116acs	Baa2/-/-	ICBCI/StCh/BoC/CICC/CLSA/BOSC	ASIA 90%, EMEA 10% FM/AM 54%, Bank/FI 40%, INS/SWF/PB 6%
T+220 area	-	US\$3bn, 109acs	Baa2/BBB+/-	CIMB/Citi/StCh/UBS	Asia 64% EMEA 25% Offshore US 11%/ AM/FM 59% Ins/PF/SWF 35% Banks 5% PB/Others 1%
T+200 T150 (+/-2)	area, -	US\$3.8bn, 136acs	Baa2/BBB+/-	CIMB/Citi/StCh/UBS	Asia - 59% EMEA - 28% Offshore US - 13%/AM/FM - 71% Ins/PF/SWF- 16% Banks - 11% PB/Others - 2%
T+150 T+110 (+/-2)	area, Negative	US\$3.75bn, 180acs	Aa3/AA+/-	HSBC/GS/BOCHK/CA-CIB/Miz/StCh	Asia 85%, Eur 15%. Bks 43%, FM 41%, Ins 10%, SWF/PF 5%, PB 1%.
4.35%a	-	US\$800m, 45acs	-/-/BBB+	BoC/Central/Huatai/BOCI/BOCHK/ CMBCHK/SPDB/CNCB HK/Orient/ GF Sec/SPDBI/CMBC Cap/Guoyuan Everbright Sun Hung Kai	APAC 99.81%, EMEA 0.19%. Bks/FI 76.78%, AM/FM 22.92%, Other 0.3%.
T+215 T+172.5/175	area, -	US\$4.5bn, 135acs	-/BBB+/A-	BoCom/ICBC/ABChina/BoC/CCB/ StCh/MS/CMB/CMSHK/CLSA/ CNCBI/Everbright HK/SPDB/CMBC/ Dongxing/Guotai Junan/CA-CIB	Asia 97%, EU 3% Am/FM/HF 71%, Banks 18%, Lifer 7%, PB 4%
6.25% area	-	-	-/BB-/BB	HSBC/StCh/CISI/CMBC Cap	-
0.063	-	-	-/-/-	HSBC	-
4.2% 3.58%/3.60%	area, -	-	-/-/BBB	Citi/HSBC/BOCI/CMBCHK/SPDB/ CLSA/Guotai Junan/ABCI/Silk Road/ Shenwan Hongyuan	-
5.2% 4.75%/4.80%	area, -	-	-/-/BBB-	Citi/HSBC/BOCI/CMBCHK/SPDB/ CLSA/Guotai Junan/ABCI/Silk Road/ Shenwan Hongyuan	-
5.2% 4.75%/4.80%	area, -	US\$5.5bn	Baa3/-/BBB-	Citi/JPM/Scotia	-
T+220 T+180 (+/-5)	area, -	-	A+/A	GS/Sant	-

be on-lent to a government-owned mass rapid transit project, while the other Bt20bn tranche will partially fund the government's Covid-19 economic stimulus programme.

Ministers announced a Bt1.9trn stimulus package in May to support an economy that has been badly hit by the coronavirus outbreak, especially from the collapse of the tourism industry.

PDMO is also issuing savings bonds, benchmark long-term bonds, promissory notes and term loans, among other products, to raise the financing needed to support the stimulus programme.

Another idea being explored is a US dollar bond, but this is more costly than a baht-denominated one under current market conditions. PDMO told IFR that the plan was still on the table and it would wait for more conducive conditions.

EUROPE/AFRICA

TURKEY

» BONDS BOUNCE AS LIRA TUMBLES

Turkish assets took diverging paths last week, as hard currency bonds responded positively to a weakening in the lira.

The Z-spread on **TURKEY**'s US\$2bn 5.25% March 2030s had ballooned out by almost 125bp since late July to 734bp by August 6, but it has since rallied to 650bp.

The resurgence stands in contrast to the lira, which hit a fresh record low against the US dollar on Friday of 7.37, surpassing the record set on August 7 at 7.365.

A trader said that the rally in the bonds had come as the lira is being allowed to float relatively freely, with the central bank now appearing to rein in its interventionist policies.

"It feels like most of the action has been some relatively underweight real-money accounts covering a small amount back, but there's little interest to go outright overweight because [the authorities] can put these measures [back] in place just as easily as they retraced them," said the trader.

"Turkey has done this with their currency and local market on and off for a number of years and each time they end up in a worse place than where they started. So investors broadly stay away because it's unpredictable and trending badly."

Jan Dehn, head of research at Ashmore Group, told IFR that he remains bearish on Turkey.

"They are on an unsustainable path," said Dehn, adding that the country is overstimulating domestic demand via forced credit creation, but poor management of the economy means there is little supply.

"This imbalance between demand and supply means that they continuously drain reserves. They are covering up this loss of reserves with various technical interventions, but they only buy time. They do not fix the problem."

Raiffeisen analysts say Turkey has suffered from a massive reduction in capital inflows throughout the last two years, and that international banks have cut their exposures by around 40%, or US\$70bn–\$100bn, in recent years. The trend displayed in the latter figures stands in stark contrast to more stable emerging markets.

"Overall, we see a high degree of mistrust in the policy set-up leading to external creditor deleveraging in Turkey, as well as the discriminative/punitive pricing for Turkey on international markets compared to its credit rating and EM peers," wrote Raiffeisen.

On the local bonds side, Bank of America analysts said that foreign holdings of Turkish government bonds were at historical lows in percentage terms at just below 4.5%, with foreigners having sold more than TL75bn (US\$10.2bn) worth of bonds since the peak in 2018.

Bank of America's Real Money tracker tool, albeit with a smaller sample size than typically used, shows global investors are underweight both Turkish bonds and FX.

The lira has tumbled 19% against the dollar this year, making it one of the worst performers in emerging markets.

Bank of America calculates that multiple tightening measures introduced by the central bank recently, including the cancellation of one-week repo auctions and the reduction of overnight liquidity limits to primary dealers to zero, has meant average funding costs increased to 8.38% as of August 11 from 7.50% during July.

But the US bank does not expect the CBRT to change the main policy rate in the foreseeable future from the current level of 8.25%.

"The lira is not undervalued given the re-emergence of the current account deficit and we expect the lira to weaken further despite some tightening of monetary conditions," wrote Bank of America analysts.

"We estimate that bringing the current account into balance would require about 10% further real effective exchange rate adjustment."

The Raiffeisen analysts project an emergency rate hike of 100bp–150bp between August and September, to be followed by another 75bp hike before the end of the year.

"FX risks in Turkey are asymmetric as national institutions are currently fighting to stabilise the lira within the context of a bad combination of unfavourable external and domestic circumstances," wrote Raiffeisen.

"Also, the significant US dollar weakness in recent times could not help the lira much, which is a sign of the inherent risks ... we revise our USD/TRY forecast for the end of September to 7.80."

MIDDLE EAST

BAHRAIN

» KINGDOM'S RATING SLASHED BY FITCH

Fitch has downgraded **BAHRAIN** by one notch to B+, with a stable outlook, as the ratings agency takes account of marked increases in the budget deficit and government debt, pressure on already low FX reserves and sharp GDP contraction.

Bahrain, which is also rated B2 by Moody's and B+ by S&P, had been making progress with its medium-term Fiscal Balance Programme and the benefits of strong financial backing from GCC, with the state budget deficit shrinking by 25% in 2019.

Strong financial support from GCC partners and a sizeable domestic financial sector had helped support Bahrain's ability to meet its increased fiscal and external financing requirements, with the sovereign proving it had market access in the first half of the year.

But the coronavirus pandemic has nevertheless undermined the sovereign's credit profile and aggravated risks to medium-term debt sustainability, Fitch says.

"We forecast the state budget deficit to widen to 15.5% of GDP in 2020 from 4.6% of GDP in 2019, with hydrocarbon revenue (around 70% of total revenue in 2019) almost halving in line with lower average oil prices," said Fitch.

"The government's financing strategy will focus on net foreign funding, which could be around US\$3.4bn (10% of forecast GDP) assuming another bond issuance in [the second half of 2020]."

Fitch says that Bahrain repaid a US\$1.25bn note in March, raised US\$2bn from international markets in May and

will receive another US\$1.8bn from the US\$10bn GCC support package agreed in 2018.

“Projections of government debt highlight the challenge facing Bahrain’s public finances,” said Fitch, forecasting that the increase in the 2020 budget deficit will send government debt-to-GDP to 130% in 2020, versus a previous forecast before the drop in oil prices of 105%.

“Bahrain faces a significant external amortisation schedule, with US\$5.6bn of external debt maturing in 2021–23. The remainder (US\$5.5bn) of the US\$10bn GCC support package agreed in 2018 can go towards funding this maturing debt, but Bahrain will also need to retain market access given other FX needs and its low level of FX reserves.”

Fitch estimates that Bahrain will need to maintain regular annual issuance of at least US\$2bn–\$2.5bn.

In the bond sale in May, Bahrain placed a US\$1bn 6.25% sukuk due November 2024 and a traditional US\$1bn 7.375% bond due May 2030. The sukuk is now bid at 3.94%, according to Tradeweb prices, and the conventional note is quoted at 5.16%.

LEBANON

BONDHOLDERS FACE EMPTY NEGOTIATING TABLE

The resignation of the entire Lebanese government is likely to put negotiations around the sovereign’s debt restructuring on ice, as bondholders and the International Monetary Fund wait to see who will be facing them across the table.

“Without a government nothing can happen on restructuring, reforms or the IMF, and the crisis will only continue to worsen while Lebanon is without leadership,” said Patrick Curran, senior economist at Tellimer.

LEBANON’s prime minister, Hassan Diab, announced his government’s resignation on Monday, saying a huge explosion that devastated Beirut on August 4 and triggered public outrage was the result of endemic corruption.

Diab will lead a caretaker government until a new cabinet is formed. That could be quite quickly, according to a source close to the caretaker government. If so, IMF talks, which are a precursor to debt negotiations, can restart in earnest.

“It seems likely a new government can be formed quite quickly, at which point IMF negotiations start pretty much immediately. They will need progress on reform – either pension reform and reducing the size of the public debt and/or electricity reform,” said the source.

He added that for private bondholders an IMF agreement would give them a degree of comfort, given they hold a smaller chunk of the sovereign’s bonds than the domestic banks.

Curran said that the formation of a new technocratic government that was willing to start IMF and creditor discussions in good faith would be a big positive.

The sovereign defaulted on bond repayments for the first time in its history in March, just as the coronavirus pandemic was starting to affect the region. The government then set out plans to address its financial problems, initiating talks about a possible US\$10bn debut programme with the IMF, before talking to bondholders.

Lebanon’s major creditors are its banks. However, the Lebanese pound has collapsed over the last year and bank deposits have effectively been frozen this year.

International investors, including Ashmore, also hold a significant proportion of the US\$31bn face value of the sovereign’s dollar-denominated bonds, which are quoted at around 15 cents in the dollar. Ashmore declined to comment.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Europe/Africa

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	37	13,045.85	16.2
2	Citigroup	26	10,610.29	13.2
3	BNP Paribas	17	7,101.69	8.8
4	Deutsche Bank	10	4,729.72	5.9
5	SG	13	4,561.65	5.7
6	HSBC	13	3,880.65	4.8
7	Barclays	9	3,520.29	4.4
8	UniCredit	9	3,210.49	4.0
9	ING	8	3,114.93	3.9
10	Erste Group	6	2,982.31	3.7
Total		68	80,500.30	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L2

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Middle East

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Standard Chartered	31	12,121.34	14.1
2	Citigroup	25	10,802.57	12.5
3	HSBC	29	9,961.75	11.5
4	Goldman Sachs	9	8,707.04	10.1
5	Deutsche Bank	10	5,878.94	6.8
6	JP Morgan	15	4,619.63	5.4
7	Bank of America	5	3,784.54	4.4
8	Credit Agricole	12	3,725.24	4.3
9	First Abu Dhabi	13	3,482.67	4.0
10	BNP Paribas	6	2,785.69	3.2
Total		92	86,257.03	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L5

“Given the uncertainty surrounding the formation of a new government, it is entirely conceivable that the debt restructuring plans lead to even more acute reductions in principal and coupons vis-a-vis those witnessed in other emerging markets, such as in Argentina,” said Ehsan Khoman, head of MENA research and strategy at MUFG.

“Absent any clarity on the speed and structure of what the next government could look like, the calamitous economic crisis will constrain the bargaining power of external creditors.”

Khoman said that Lebanon’s economy was set to nosedive, with MUFG now forecasting that real GDP will shrink by 27% this year, compared with a fall of 15.5% forecast before the detonation at the port warehouse.

An international donor conference on August 9 raised pledges worth nearly US\$300m for immediate humanitarian relief, but foreign countries are demanding transparency over how the aid is used.

“It is certainly possible that some major bilateral partner(s) could step up and give aid, but any additional funding is likely to

INTERNATIONAL ISLAMIC FINANCE DEBT

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Standard Chartered	15	2,677.21	17.0
2	HSBC	11	1,871.25	11.9
3	Dubai Islamic Bank	9	1,369.63	8.7
4	Citigroup	7	895.24	5.7
5	Natixis	3	785.53	5.0
6	First Abu Dhabi	7	780.25	5.0
7	Islamic Dev Bank	6	746.75	4.7
8	Emirates NBD	8	650.58	4.1
9	Malayan Banking	1	500.00	3.2
10	BNP Paribas	1	500.00	3.2
Total		18	15,742.60	

Excluding equity-related debt.

Source: Refinitiv

SDC code: J27

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Latin America

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	38	10,349.77	12.4
2	Citigroup	23	7,053.11	8.4
3	Bank of America	31	6,859.82	8.2
4	Deutsche Bank	10	6,311.66	7.5
5	Goldman Sachs	28	6,276.45	7.5
6	Itau Unibanco	18	5,637.41	6.7
7	Scotiabank	17	5,413.27	6.5
8	BNP Paribas	12	4,763.02	5.7
9	HSBC	13	4,440.36	5.3
10	Santander	17	4,022.97	4.8
Total		94	83,750.60	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L3

be allocated directly to relief efforts ... and will in any case pale in comparison to the estimated damages,” said Curran.

The rebuilding of Beirut alone is expected to cost up to US\$15bn, in a country where total banking system losses exceed US\$100bn.

As for the IMF, talks that were launched some months back were put on hold due to inaction on reforms and a row between the government, banks and politicians over the scale of vast financial losses.

Curran said Lebanon had funding needs of at least US\$10bn to fund its reform programme, while the IMF has made it clear that any further support from it is still conditional on reform implementation, which in turn is on hold with no government in place.

“This of course assumes that the reform programme mooted in April is still relevant under a different government,” said Curran.

“But we think the broad contours will likely remain unchanged, since the IMF appeared to endorse the approach and figures used – though of course the latter is a moving target.”

AMERICAS

ARGENTINA

» FITCH DOWNGRADES ENTRE RIOS ON MISSED BOND PAYMENT

Fitch downgraded Argentina’s **PROVINCE OF ENTRE RIOS** to C from CCC last after it missed a payment on its 8.75% dollar bond due 2025.

The borrower said it would miss the US\$21.875m interest payment on the bonds due August 8 and start debt negotiations, the ratings agency said.

“Failure to cure the missed interest payment before the 30-day cure period expires on September 7 2020, is considered an event of default in the transaction documents,” said Fitch.

Entre Rios is one of several Argentine provinces that have stopped making bond payments on foreign law bonds and are trying to renegotiate terms.

Last week Fitch also affirmed its C rating on the **PROVINCE OF SALTA**, which missed a US\$15.9m interest payment on its 9.125% 2024 notes but subsequently paid after the 30-day grace period ended.

The Province of Entre Rios issued US\$350m of the 2025s in 2017, pricing them at 98.76 to yield 9% and tapped them

for another US\$150m later that year, according to IFR data.

The bonds were trading last week at a mid-market dollar price of around 53.875, according to Refinitiv data.

That is up from 48.50 the prior week ahead of the federal government’s agreement with the majority of its bondholders to finalise an over US\$65bn bond restructuring.

BERMUDA

» GOVERNMENT PREPS NEW DOLLAR BOND TO FUND DEBT TENDER

The government of **BERMUDA** is eyeing a potential dollar issuance in the primary market as soon as this week, say banking sources.

Banks on the deal held investor calls last week to market a 144A/Reg S deal to fund a cash tender for outstanding bonds.

Bermuda, rated A2/A+, is looking to buy back up to US\$500m of its 4.138% 2023s, 4.854% 2024s, 3.717% 2027s and 4.750% 2029s. Results from the tender offer are expected on Monday.

This will mark the British Overseas Territory’s first transaction in the primary dollar market since 2018, when it sold a 4.75% 10-year note.

Those bonds have since rallied to a bid price of 117 for a yield of 2.52%.

Goldman Sachs and HSBC Securities are acting as leads.

CHILE

» EFE GLIDES THROUGH WITH DOLLAR DEBUT

Chilean-backed **EMPRESA FERROCARRILES DEL ESTADO** (EFE) approached international investors last Tuesday with its first dollar-denominated bond, squeezing pricing significantly in what has been a receptive market for high-rated credits.

The state-controlled railway operator priced a US\$500m 30-year 144A/Reg S senior unsecured note at Treasuries plus 175bp, the tight end of guidance of 180bp area (+/-5bp) and well inside initial thoughts of the 220bp area.

Even after price tightening, market participants thought the A+/A (S&P/Fitch) rated credit attractive against bonds issued by the sovereign, whose 3.5% 2050 were trading around 109bp Tuesday, according to one banker.

“For a debut issuance to have a pick-up of 66bp over the sovereign, that is an awesome trade,” said a banker away from the deal.

EFE is Chile’s largest railway company and it is 100% owned by the sovereign, with around 95% of its debt guaranteed, according to a roadshow presentation seen by IFR.

It operates via four subsidiaries Tren Central, Metro Valparaiso, Fesur, and Ferro Arica-La Paz, which together transport close to 51m passengers annually.

“EFE is a manager of the state-owned railways, sole provider of rail passenger transportation, and in Chile which is the “safest country in the region”, said a second banker.

Proceeds from last week’s transaction will go towards general corporate purposes, including capital expenditures related to the company’s 2020–22 triennial plan and debt refinancing.

The deal was led by *Goldman Sachs* and *Santander*.

PANAMA

» AES PANAMA ENJOYS BIG BOOK IN SUMMER BOND SPLASH

AES PANAMA returned to the bond market last week after a long absence when it priced a US\$1.38bn 10-year secured deal as part of an effort to extend maturities across its capital structure.

With a US\$5bn-plus book at their backs, leads were able to price the bond, rated Baa3/BBB-, at a yield of 4.375%, the tight end of guidance of 4.5% (+/-12.5bp) and well inside initial price thoughts of the 5% area.

The liquidity of the bond, the investment-grade country exposure and the big pick-up to the sovereign’s own curve, where the 2036s are trading around 2%, were thought to have driven investors into the trade.

The secured bond came wide to Chilean power transmission company Colbun’s 3.15% 2030s (Baa2/BBB), which have been trading at 2.5%, and relatively flat to Peru’s Inkia Energia, which is rated Ba3/BB-/BB and has a 2027 trading at 4.26%.

AES Corp, the parent company, meanwhile issued a senior secured 2030 in May at a yield of 3.998%, and that bond was trading at around 2.9%, according to MarketAxess data.

Even so, some investors thought pricing was too tight for the risks that AES Panama still faces, not to mention the higher-yielding options elsewhere in Latin America.

One buy-side analyst highlighted the credit’s relatively high exposure to a distribution sector impacted by the Covid-19 pandemic and the populace’s difficulties in paying their electricity bills.

“Distribution is not a great place to be in a pandemic,” said the analyst. “I think in the next 12 months credit metrics could deteriorate a lot. The fact they are coming to the market now is very opportunistic.”

This analyst says the recent hybrid note issued by AES’s Chilean subsidiary – Gener – is more attractive.

“That subordinated note is offering a yield to worst of 5.65% and has less exposure to distribution.”

Last week’s deal came through AES Panama Generation Holdings – which is the financing vehicle for the opcos – and carries various credit enhancements such as a liquidity facility, additional indebtedness tests and dividend lock-ups.

The notes are secured by AES’ equity stakes in the Panamanian opcos, dividends from which will go into a collections accounts, which will also be pledged as collateral.

The Panamanian subsidiary is coming out of a difficult 2019, when dry weather conditions in the country impacted its hydro power plants. But ratings agencies now see the company on a path to better credit metrics.

Fitch estimates that consolidated net leverage will drop from 6.1x last year to 4.8x in 2020 to eventually hit 3.4x in 2023 thanks to steady cashflows from fixed-term contracts.

The company has also been diversifying its asset base away from the hydro generation by expanding into other areas such as wind and solar sectors.

“These look like good assets – a nice mix of energy generation, a stable jurisdiction and growth potential,” said Roger Horn, a senior emerging markets strategist at SMBC Nikko Securities America.

Proceeds will be used to make intercompany loans to the three operating

companies so that they can refinance their debt, better matching maturities to power purchase agreements with distribution companies.

Debt being refinanced includes a US\$610m bridge loan, a US\$375m 2022 bond from AES Panama as well as a US\$220m series B bond due 2023.

The last time the utility came to the international bond market was in 2016 when it tapped the 6% 2022s for US\$75m at a yield of 5.1%.

“The secured bond is being issued to refinance debt – some project finance loans, a local bond and the 22s which were just called,” said Horn.

“You would think a deal of US\$1.38bn would have to pay up, but it looks like they saw good demand.”

Global coordinators were Citigroup, JP Morgan (B&D), Scotiabank, while Credit Suisse and Banco General acted as joint bookrunners

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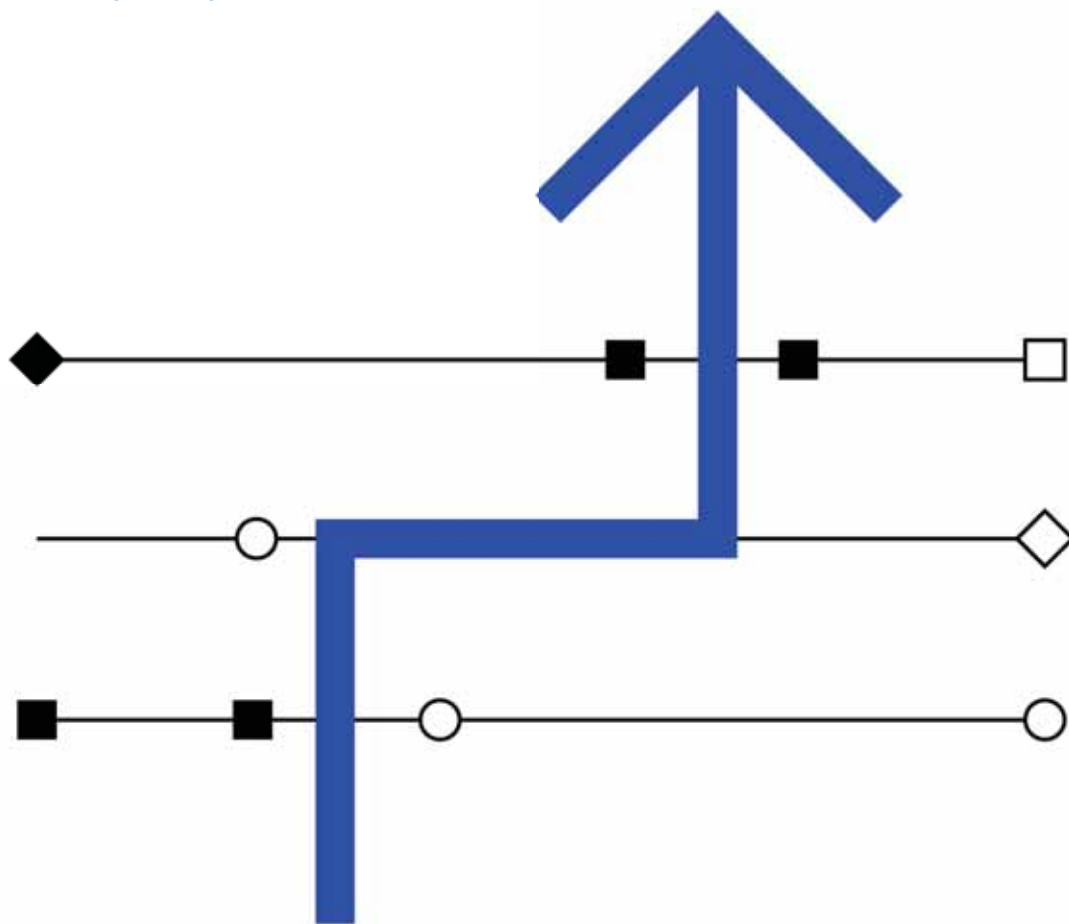
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■ FRONT STORY EUROPEAN INVESTMENT GRADE

Repayments rise as economies reopen

» Borrowers pay back facilities drawn during Covid-19 crisis

» Government support has started to reach corporates

European companies are ramping up the repayments on credit facilities drawn to shore up finances during the Covid-19 crisis as economies begin to reopen from shutdown.

Drawings on credit lines peaked in the middle of the second quarter as uncertainty over the potential to access capital markets saw companies take precautionary measures such as drawing down on existing financings or putting short-term liquidity facilities in place.

Borrowers have increasingly been able to tap the bond and equity markets or make use of government support programmes to reduce their use of credit lines.

Global brewing giant **ANHEUSER-BUSCH INBEV** fully repaid the US\$9bn drawn from its revolving credit facility to protect its liquidity position in the wake of the crisis.

The repayment came after the company issued around US\$11bn-equivalent of bonds in April and then received US\$10.8bn from the sale of its Australian operations to Japan's Asahi Group.

AB InBev said cashflow had improved over the course of the second quarter as many countries began to emerge from lockdowns.

Meanwhile, steel and mining group **ARCELORMITTAL** cancelled the US\$3bn-equivalent credit facility it put in place in early May to bolster the company's liquidity during the crisis after it raised US\$2bn in shares and convertible bonds in May.

The additional liquidity facility was cancelled on July 22.

Swiss engineering firm **ABB** fully repaid a €2bn short-term RCF arranged in March to strengthen its liquidity in the face of the crisis after completing the sale of 80.1% of its Power Grids business to Hitachi on July 1 for US\$6.85bn.

British engineering firm **BABCOCK INTERNATIONAL** repaid its £775m RCF, which was fully drawn in April, and extended the financing by one year to August 2025. The company has access to around £2.4bn of borrowings and facilities with mostly long-term maturities.

British consumer goods company **RECKITT BENCKISER** repaid £750m drawn from its £5.5bn credit facility in March after issuing £1.969bn of bonds in May.

French auto parts maker **FAURECIA** paid off an €800m short-term club loan arranged in April after placing an upsized €1bn bond in July.

LIGHTENING THE LOAD

Drawn credit lines have also reduced as government support – not immediately available at the onset of the crisis – starts to reach corporates, reducing the burden on banks and alleviating lenders' rising levels of risk-weighted assets.

"There has been a lot of help from the public side, with many thousands of companies benefitting from government support in many different ways," a senior banker said.

However, banks are still expected to actively support economies as they emerge from lockdowns.

"In places where the lockdown period has been much shorter, as in Germany, much of the early support came direct from the government, in the rest of Europe most support has been provided by the bank market with government guarantees."

French books, music and electrical retailer **FNAC DARTY** was one of the first companies to take advantage of the French state guarantee scheme, agreeing a €500m loan in April.

The company fully drew its existing €400m RCF in mid-March at the onset of the crisis after the sudden shutdown of the company's in-store activities. The RCF was unused in the first half and funds were repaid on June 18.

Global energy services company **TECHNIPFMC** has fully repaid the US\$500m that it drew from its existing US\$2.5bn RCF in March.

The move came after TechnipFMC agreed a €500m short-term revolving credit facility (RCF) and set up a £600m commercial paper programme under the Bank of England's Covid Corporate Financing Facility (CCFF) in May to boost its liquidity during the crisis.

Global shopping mall owner **UNIBAIL-RODAMCO-WESTFIELD** repaid €3.2bn of credit lines drawn in March to bolster its liquidity after accessing the bond market for €2.15bn in new long-term debt.

The company also raised £600m in commercial paper from the Bank of England's CCFF in April with a 10-month maturity and an average yield of 0.49%.

Meanwhile, UK services firm **RENTOKIL INITIAL** repaid the £550m RCF it drew in March to bolster its liquidity as well as £600m issued under the CCFF.

The commercial paper issued under the CCFF has a maturity date of April 2021 and paid interest of 0.51%. Rentokil repaid the funds in July.

Some companies have repaid drawn debt without seeking government loan assistance.

Domino's Pizza Group fully repaid amounts drawn under its £350m RCF that were drawn at the start of the Covid-19 crisis without state-backed help or the need to furlough its employees.

Others have moved to reduce financings put in place at the height of the crisis.

French construction materials company **SAINT-GOBAIN** reduced a €2.5bn short-term RCF agreed in March by €500m after speedily tapping the bond market for €1.5bn, also in March. The RCF was further reduced to €1bn by the end of June.

German car maker **DAIMLER** reduced the €12bn credit line put in place at the beginning of April to €9.9bn after tapping bond markets in the second quarter.

French aviation, space and defence technology firm **SAFRAN** reduced the €3bn term loan raised in April to €1.6bn after it raised medium and long-term funded debt, including an €800m seven-year convertible bond and €564m of US private placement notes with maturities split between 10 and 12 years.

French aerospace and defence group **THALES** reduced the €2bn additional credit facility put in place in April to €1.3bn after issuing a €700m eight-year bond in May. Alasdair Reilly

ASIA-PACIFIC

AUSTRALIA

CENTERBRIDGE COMMITS TO SPEEDCAST

Private investment manager Centerbridge Partners has committed debtor-in-possession financing of up to US\$220m as well as US\$395m in equity funding to **SPEEDCAST INTERNATIONAL** for its Chapter 11 recapitalisation.

The equity commitment from Centerbridge, one of the largest lenders with its affiliates, would support a plan to reorganise Speedcast, the communications satellite company said in a filing to the Australian Securities Exchange on Thursday.

The equity investment provides Speedcast's existing secured lenders the opportunity to participate on a fully pro-rata basis to support the company's emergence from its reorganisation under Chapter 11 of the US Bankruptcy Code.

Centerbridge's DIP financing, if drawn, would be used to refinance Speedcast's existing DIP financing, to fund the Chapter 11 process, and to ensure the company can continue to meet its financial commitments while it works towards confirmation of the reorganisation.

Holders of secured claims will receive cash payments under the plan, the filing said.

Unsecured creditors generally will share in recoveries from a litigation trust, noting there is no certainty that any action would be undertaken or payment made from this trust.

The plan does not contemplate any recovery for existing shareholders, and existing shareholders would no longer have an equity interest in the reorganised Speedcast Group.

ASIA-PACIFIC LOANS BOOKRUNNERS – FULLY

SYNDICATED VOLUME (INCLUDING JAPAN)

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Mizuho	293	69,875.95	21.7
2 MUFG	447	46,482.00	14.4
3 Bank of China	204	39,534.77	12.3
4 Sumitomo Mitsui	359	38,977.36	12.1
5 ANZ	41	8,372.13	2.6
6 HSBC	42	6,462.66	2.0
7 DBS Group	29	6,181.17	1.9
8 China Merchants	14	5,436.16	1.7
9 CBA	21	5,009.27	1.6
10 Citigroup	17	4,873.25	1.5
Total	1,682	321,787.25	

Proportional credit

Source: Refinitiv

SDC code: S3a

Completion of the equity investment is subject to confirmation of the reorganisation plan and a number of other conditions, including various regulatory approvals and waivers.

In June, S&P assigned Double B ratings to Speedcast Communications' super-priority DIP term loans totalling US\$180m.

A US\$90m first-out piece of the DIP loan was rated BB, while another US\$90m second-out facility was rated BB-.

The first-out piece is a new-money loan, while the second-out facility refinanced an identical amount of Speedcast's pre-petition first-lien debt.

The assigned ratings primarily reflect S&P's view of credit risk borne by the DIP lenders and are not indicative of any ratings the firm may assign to exit facilities or the reorganised firm after bankruptcy, the rating firm said at the time.

Credit Suisse is the DIP agent for that facility. Speedcast, which does significant business with the stricken cruise line industry, filed for Chapter 11 bankruptcy protection on April 23.

POLY SEEKS A\$150m FOR SYDNEY TOWER

POLY AUSTRALIA is seeking a A\$150m (US\$108m) one-year loan for an office building in Sydney's central business district.

Bank of China is the sole mandated lead arranger and bookrunner for the facility, which is currently in syndication.

In late February, Poly Australia announced it had agreed to purchase 59 Goulburn Street in Sydney from Singapore-based investment manager SC Capital Partners for A\$270m.

The acquisition is the first for Poly Global Capital, a subsidiary of Poly Global, the international division of China-based Poly Developments and Holdings Group.

Located near Sydney's Central Station, the 26-storey tower has a net lettable area of 19,470 square metres.

CHINA

YANLORD LAND LIFTS LOAN TO US\$1.1bn

Chinese property developer **YANLORD LAND GROUP** has increased a 3.5-year dual-currency loan to US\$1.103bn-equivalent from US\$1bn after attracting 15 lenders in general syndication.

CMB Wing Lung Bank, DBS Bank, Hang Seng Bank, HSBC, Shanghai Pudong Development Bank and Standard Chartered were the mandated lead arrangers and bookrunners of the transaction, which offered a top-level all-in pricing of 419bp, based on an interest margin of 335bp over Libor/Hibor.

Mandated lead arrangers were *Chong Hing Bank, Nanyang Commercial Bank, Ping An Bank Offshore Banking Center, China Construction Bank, China Merchants Bank, Nanyang Commercial Bank and Shanghai Rural Commercial Bank*.

Lead arrangers were *Bank of East Asia, Dah Sing Bank, Industrial and Commercial Bank of China*.

Arrangers were *Tai Fung Bank, Luso International Bank, China Citic Bank International, China Guangfa Bank Macau branch and United Overseas Bank*. *Bank of Shanghai* was senior manager.

The facility now comprises an US\$808m-equivalent term loan and a US\$295m-equivalent revolving credit facility.

Proceeds will be used for refinancing.

NEW HOPE DAIRY MILKS ANOTHER US\$8m

Milk producer New Hope Dairy has increased a three-year loan to US\$110m from US\$102m after attracting three banks in general syndication.

Standard Chartered Bank was the sole mandated lead arranger and bookrunner of the amortising loan, which offered a top-level all-in pricing of 150bp based on an interest margin of 120bp over Libor and an 87.75bp fee.

China Citic Bank and China Guangfa Bank were mandated lead arrangers and *CMB Wing Lung* was lead arranger.

Proceeds will be used for refinancing and working capital.

Shenzhen-listed New Hope Dairy is the guarantor of the deal, while its subsidiary **GGG HOLDINGS** is the borrower.

For 2019, New Hope Dairy reported 14% year-on-year growth in operating revenue to Rmb5.67bn (US\$802m) and a 0.3% rise in profit attributable to shareholders to Rmb244m.

Liu Yonghao, chairman and founder of conglomerate New Hope Group, and his family control around 90% combined of New Hope Dairy.

In March, New Hope Group closed a separate US\$400m three-year loan with 13 lenders.

China Construction Bank (Asia) and HSBC were the MLABs of that transaction, which offered a top-level all-in pricing of 165bp based on a margin of 125bp over Libor. The loan was increased from an original US\$300m target.

YE CHIU METAL RETURNS FOR US\$150m

Shanghai-listed Ye Chiu Metal Recycling (China) has launched a US\$150m three-year loan, returning to the market after a 4-1/2-year hiatus.

Bank SinoPac and CTBC Bank are the mandated lead arrangers and bookrunners of the latest bullet transaction, which offers an interest margin of 235bp over Libor and has a two-year extension option.

WeChat ban hangs over Tencent loan

■ CHINA/HONG KONG Lenders forced to assess implications of US order

A US ban on transactions with **TENCENT HOLDINGS** related to messaging service WeChat has given lenders pause for thought on an otherwise routine acquisition loan for the Chinese tech giant.

Tencent, WeChat's parent company, is in talks with banks to borrow around US\$400m to fund its proposed US\$1.3bn takeover of Hong Kong-listed video-game developer **LEYOU TECHNOLOGIES HOLDINGS**.

Though the financing is small fry for a company the size of Tencent – it earned US\$400m every 7.5 days in the second quarter – it comes as the US administration is ramping up pressure on Chinese technology companies.

Leyou granted Tencent three-month exclusivity on July 10 and said on August 7 that Tencent had commenced due diligence on a takeover and delisting of the company.

That announcement came a day after US President Donald Trump signed executive orders banning US transactions involving WeChat and ByteDance, the owner of video app TikTok, from September 20, citing national security threats.

While the full extent of the WeChat restrictions are not yet clear, several relationship lenders are nonetheless concerned that Tencent's investment in Leyou could be at risk as the latter owns multiple overseas game developers in the US and Canada.

Bank of America, the financial adviser to Tencent, may also find itself entangled in geopolitics if Trump's ban forces US banks to choose sides. And the entity acquiring Leyou is Tencent Mobility, which was established in 2012 and known as Tencent WeChat until it changed its name in 2014.

"The acquisition is pending approvals from the relevant authorities in the US and Canada, and the timing is not good as it may face potential regulatory obstacles. Any winds of change would blow the business opportunity away," said a Hong Kong-based loans banker.

Leyou's subsidiaries include US-based Athlon Games and Canada-based Digital Extremes, the studio behind *Warframe*, Leyou's most popular game with 60 million registered users. Leyou is also working with Amazon on an online game based on the JRR Tolkien classic "The Lord of the Rings".

Market participants are also concerned that Trump could follow up with more bans that may impact Tencent's video game companies.

"So far, we haven't seen any immediate impact on Tencent's video game business. But will it be Trump's next target? Who knows?" said another Hong Kong-based loan banker.

Tencent itself has played down the significance of the US move. On Wednesday, chief financial officer John Lo said during an analyst call that the order was focused on WeChat in the US and he did not believe its other businesses there would be affected.

The US accounts for less than 2% of Tencent's revenues.

THIRD TIME LUCKY?

Loan bankers are also mindful that Tencent is the third company trying to acquire Leyou. The previous two unsuccessful attempts were from Shenzhen-listed online games developer Zhejiang Century Huatong Group, which counts a unit of Tencent among its shareholders, and another Tencent-backed Chinese game firm, iDreamSky Technology Holdings.

Last month, Zhejiang Century Huatong scrapped its proposed takeover of Leyou due to a strategy change. A US\$300m–\$400m loan backing the proposed takeover was also cancelled.

In April, iDreamSky, which had been in talks with Leyou's controlling shareholder Charles Yuk and other selling holders since late last year, sought a US\$400m loan backing the

proposed takeover of Leyou. However, the deal was cancelled after the potential buyers failed to renegotiate the acquisition price.

"Different suitors have actually approached different groups of relationship banks for their own loans. It has been a long time, and we are also a bit concerned about the uncertainty along the way," said the second loan banker.

Tencent has been aggressively expanding both at home and abroad in recent years. In late July, Nasdaq-listed **SOGOU** announced that shareholder Tencent had made a preliminary offer to buy the rest of the web search firm it did not already control, in a deal that values the target at about US\$3.5bn.

Tencent's offer, if successful, would take Sogou private and delist the company from the New York Stock Exchange.

PANDEMIC EFFECTS

Lenders are also sitting on a lot of Tencent exposure. In April, Tencent closed an acquisition loan at a reduced size of €900m (US\$985m) to back its purchase of a 10% stake in US music entertainment company Universal Music Group. Bank of America, Bank of China, HSBC, Industrial and Commercial Bank of China (Asia) and Morgan Stanley were the lenders and decided not to launch the deal into general syndication due to market volatility stemming from Covid-19.

On Wednesday, Tencent posted a higher-than-expected 37% year-on-year jump in net profit to Rmb33.1bn (US\$4.8bn) in the second quarter, thanks to higher demand for its online platforms during the pandemic – especially video games.

Leyou, on the other hand, is expected to record a loss of about US\$3m–\$7m for the first six months ended June 30 due to fewer releases of content updates for *Warframe*.

Evelynn Lin

MLAs joining with US\$30m or above receive a top-level all-in pricing of 256.67bp via an upfront fee of 65bp, while managers joining with US\$20m–\$29m earn an all-in of 250bp via a 45bp fee. Participants coming in for US\$10m–\$19m receive an all-in of 245bp via a 30bp fee.

The borrower is **HARMONY GROUP**, Ye Chiu's Samoa-incorporated subsidiary, while the parent is the guarantor.

Funds are to refinance a US\$123m three-year loan raised in March 2016 and for working capital. Bank SinoPac, E.Sun Commercial Bank and Land Bank of Taiwan were the MLABs on that deal, which offered a top level all-in pricing of 295bp based on a margin of 275bp over Libor.

■ ZHENRO SIGNS US\$141m-EQUIVALENT LOAN

Hong Kong-listed property developer **ZHENRO PROPERTIES GROUP** has signed a US\$141m-equivalent three-year loan with eight lenders.

Bank of China (Hong Kong) was the mandated lead arranger and bookrunner of the deal, which offered a top-level all-in pricing of 520bp, based on an interest margin of 410bp over Libor and an average life of 2.5 years.

Other lenders included *Hang Seng Bank*, *CMB Wing Lung Bank*, *Bank of East Asia*, *China CITIC Bank International*, *CMBI Global Markets*, *Standard Chartered Bank* and *BNP Paribas*.

The facility now comprises a HK\$273m tranche and a US\$106m portion.

Proceeds will be for refinancing and general corporate purposes.

■ TIANNENG POWER TAPS US\$100m LOAN

Electric vehicle batteries maker **TIANNENG POWER INTERNATIONAL** is in the market for a US\$100m three-year loan.

Standard Chartered Bank is the sole mandated lead arranger and bookrunner of the transaction, which offers an interest margin of 150bp over Libor.

Proceeds are for general corporate purposes.

In May, short seller Cloudy Thunder Research accused Hong Kong-listed Tianneng Power of “fabricating and overstating profits from 2017 to 2019”, which the company dismissed as false.

On June 1, Tianneng Power issued a positive profit alert to the Hong Kong stock exchange, stating it was expecting to record a year-on-year increase of not less than 30% in its profit attributable to equity shareholders for first half of 2020. The improvement reflects sales growth and increased gross profit margins.

On August 3, Tianneng Power said that its former auditor Deloitte had not received any notification about any material misstatement in the company’s financial statements in 2017 and 2018.

Current auditor Zhonghui Anda also confirmed that it had no intention to revoke or modify its opinion on the financial statements for 2019.

HONG KONG

› LEI SHING HONG ATTRACTS SIX

Hong Kong-based mortgage lender **LEI SHING HONG CREDIT** has wrapped up a US\$330m-equivalent three-year term loan after attracting six lenders in general syndication.

Far Eastern International Bank was the original mandated lead arranger and bookrunner of the facility. *KGI Bank*, *Mega International Commercial Bank*, *Taishin International Bank* and *Yuantan Commercial Bank* joined in the senior phase with the same title.

Taipei Fubon Commercial Bank and *Taichung Commercial Bank Offshore Banking Branch* are also mandated lead arrangers and bookrunners.

Hua Nan Commercial Bank Offshore Banking Branch is mandated lead arranger. Lead arrangers are *Bank SinoPac*, *O-Bank* and *Shin Kong Commercial Bank*.

The deal now comprises a HK\$12.79bn (US\$165m) Tranche A and a US\$165m Tranche B. It offers an interest margin of 160bp over Libor or Hibor and has a 2.85-year average life.

The borrower will pay any excess interest rate beyond a 50bp difference between TAIFF and Libor.

The guarantor is parent Lei Shing Hong. Funds are for working capital and refinancing.

The borrower last tapped the loan market for a US\$310m-equivalent borrowing in December 2018.

Far Eastern International Bank also led that deal, which offered a top-level all-in

pricing of 180bp via a margin of 160bp over Libor or Hibor and a 57bp fee.

› AMVIG’S HK\$1.35bn REFI ATTRACTS SIX

Hong Kong-listed cigarette packaging maker **AMVIG HOLDINGS** has closed a HK\$1.35bn three-year loan with six lenders joining.

ANZ was the mandated lead arranger and bookrunner of the bullet facility, while *Bank Sinopac Hong Kong branch*, *Chong Hing Bank*, *CTBC Bank*, *Fubon Bank (Hong Kong)*, *MUFG*, *Taipei Fubon Commercial Bank* and *United Overseas Bank* joined in general syndication.

Signing is taking place by circulation. Lenders were offered a top-level all-in pricing of 180bp via an interest margin of 150bp over Hibor.

The borrower’s subsidiaries AMVIG Investment and AMVIG Group are the guarantors.

Funds are for refinancing purposes.

In December last year, the borrower raised a HK\$1.15bn one-year loan. ANZ was also the MLAB on that deal, which paid an all-in pricing of 170bp based on a margin of 150bp.

NEW ZEALAND

› KINETIC DRIVES IN FOR A\$589m LOAN

Australian mass transit operator **KINETIC HOLDING** has obtained a A\$589m-equivalent (US\$423m) four-year loan for its acquisition of New Zealand bus operator Go Bus and the refinancing of an existing borrowing.

Bank of China, *Bank of Queensland*, *Commonwealth Bank of Australia*, *Export Development Canada*, *First State Super*, *Industrial & Commercial Bank of China* and *Macquarie Bank* were the lenders.

The multi-tranche borrowing, denominated in Australian and New Zealand dollars, is split into eight term loan tranches and four revolving credit portions, according to Refinitiv LPC data.

Melbourne-headquartered Kinetic has acquired Go Bus from a partnership between Ngai Tahu Holdings and Tainui Group Holdings, according to its press release on August 4.

“The prioritisation of electric and other sustainable bus technology over diesel buses is becoming an increasing trend in Australasia and Go Bus has been early to work with partners to adopt these next generation transport products, including demand responsive bussing,” said Kinetic co-CEO Michael Sowards. “The Go Bus acquisition will see Kinetic proudly operate the largest fleet of electric passenger vehicles in the region within the next 12 months.”

Under the Go Bus brand, Kinetic will operate a new fleet of electric buses for Auckland Transport as part of a new bus route connecting growth suburbs with Auckland Airport. In Greater Christchurch, the company will operate a further 25 new electric buses.

Kinetic’s growing mass transit platform includes Queensland bus operators Surfside Buslines and Sunbus, Sydney’s largest bus and coach charter company Telford’s, and airport transit business SkyBus (Australia and New Zealand).

Earlier this year SkyBus was named as the new operator of bus services at Adelaide Airport and to help the airport transition to become Australia’s first to introduce a fully electric bus fleet.

In July 2019, Kinetic, formerly known as AATS Group, raised a A\$405m five-year loan to back its acquisition of Transit Australia Group, the operator of SkyBus.

CBA was the original mandated lead arranger and bookrunner for the deal. BOC and EDC joined as MLABs. First State Super, Metrics Credit Partners and Macquarie Bank came in as lead arrangers, while Bank of Queensland and ICBC participated as arrangers, according to Refinitiv LPC data.

AATS Holding is the borrower for that facility.

Canadian pension fund OPSEU Pension Trust (OPTrust) is a majority shareholder in Kinetic and is considering selling a stake, with indicative bids due in September, according to local media reports in Australia.

› SKY NETWORK TUNES IN FOR A&E

SKY NETWORK TELEVISION has completed an amendment and extension of a NZ\$200m (US\$131m) loan.

The maturity of the loan has been extended to July 2023, Sky said in exchange filings in New Zealand and Australia on Wednesday.

The A&E exercise on the NZ\$200m loan announced in May was subject to documentation and the successful completion of an equity raising of at least NZ\$80m, net transaction costs.

In June, the Auckland-based company said it completed an equity raising of approximately NZ\$157.2m.

Sky used the proceeds from that fundraising to pay down all bank debt and it held cash of A\$118m as at August 12, according to the filings on Wednesday.

It has also announced the sale of its outside broadcast unit to global operator NEP Group as part of a plan to reduce capital expenditure while maintaining coverage of live sports in New Zealand. The financial terms of the deal were not disclosed.

As part of the deal, NEP New Zealand will be Sky's technical production partner in New Zealand for the next 10 years.

Sky had a NZ\$250m five-year revolver from ANZ, Commonwealth Bank of Australia, Bank New Zealand and Westpac Banking Corp that matured in July, according to Refinitiv LPC data.

SINGAPORE

OLAM TAPS UP TO US\$2bn REFI

Singapore-headquartered food and agri-business **OLAM INTERNATIONAL** is in talks with banks to raise up to US\$2bn from a multi-tranche revolving credit facility.

The deal could be between US\$1.2bn and US\$2bn in size. Olam will use the sustainability-linked loan to refinance debt for itself and its subsidiaries.

The tenor of the latest refinancing will be similar to a US\$1.525bn three-tranche revolver Olam completed in October last year. However, the pricing on the new borrowing is likely to be around 20bp–30bp richer.

Olam International and its wholly owned subsidiary, Olam Treasury, are the borrowers on that 2019 loan, which comprises a US\$610m 364-day portion due in October this year, and two and three-year tranches of US\$457.5m each.

Last year's self-arranged club deal attracted 19 lenders, including senior mandated lead arrangers ABN AMRO Bank, HSBC, National Australia Bank and Sumitomo Mitsui Banking Corp.

Olam has been active in the loan markets this year. In July it launched a ¥25bn (US\$237m) Samurai loan into general syndication, offering interest margins of 60bp and 75bp over Libor, respectively, for the three and five-year tranches.

The one-year portion pays higher pricing than the 45bp over Libor margin on a ¥25bn three-year loan completed in July 2017 that is being refinanced.

Last month Olam also closed a US\$375m 364-day revolver for its European subsidiary Olam Holdings BV from seven lenders.

It followed a US\$250m multi-tranche self-arranged SLL Olam closed in June.

TAIWAN

QUANTA LAUNCHES REFI AT TIGHTER PRICING

QUANTA COMPUTER has launched a US\$1bn three-year revolving credit facility into general syndication.

Mega International Commercial Bank is the mandated lead arranger and bookrunner of the bullet loan, which carries a two-year extension option with a 5bp fee.

The facility comprises a US\$600m Tranche A for Quanta and a US\$400m Tranche B for Cayman-incorporated subsidiary Quanta International. Tranche A is unsecured, while Tranche B is guaranteed by the parent company.

The deal offers an interest margin of 75bp over Libor, and the borrower will pay any excess interest rate beyond a 48bp difference between TAIEX and Libor.

Banks are being invited to join as MLAs with commitments of US\$100m or more for an upfront fee of 7bp, MLAs with US\$60m–\$99m for a 4bp fee, or as participants with US\$30m–\$59m for a 2bp fee.

The deadline for responses is September 25.

Funds are to refinance the borrower's outstanding debts, including a US\$480m three-year revolver completed in December 2015, and for working capital purposes.

Credit Agricole CIB led the 2015 deal, which attracted 10 other MLAs. The loan offers a margin of 108bp over Libor and a top-level fee of 18bp. The borrower would pay any excess interest rate beyond a 38bp difference between TAIEX and Libor.

The Taiwan-listed borrower last raised an increased US\$880m three-year loan in July 2018. Mizuho Bank was the original MLAB, while 15 other banks joined with the same title.

The 2018 deal comprises a US\$560m Tranche A for Quanta and a US\$320m Tranche B for Quanta International, and paid margins of 87bp and 95bp over Libor, respectively. Lenders were offered a top-level fee of 15bp.

Quanta Computer is primarily engaged in the research, development, manufacture and sale of notebook computers. Its products are mainly sold to China, the Netherlands, the United States and Japan.

DEPO AUTO PARTS DRIVES IN FOR TWO LOANS

Taiwan-listed **DEPO AUTO PARTS INDUSTRIAL** is raising US\$432m-equivalent through two separate loans.

The borrower has mandated *Taiwan Cooperative Bank* on a NT\$8bn (US\$272m) five-year loan and *Mega International Commercial Bank* on a US\$160m five-year borrowing.

The terms and details of both loans are yet to be determined.

The NT dollar borrowing will refinance a NT\$7bn five-year deal completed in November 2015, while the US dollar loan will refinance a US\$144m five-year revolving credit signed in February 2017.

Both of the latest borrowings will also fund working capital.

Bank of Taiwan led the 2015 deal, which was equally split into a revolving credit Tranche A and a Term Loan Tranche B paying interest margins of 65bp over Taibor and 68bp over the NT dollar interest rate swap. There is a pre-tax interest rate floor set at 1.7%.

BoT also led the 2017 transaction, which offers margins ranging from 90bp to 135bp over Libor based on the borrower's after-tax net profit margin.

In July, the Taiwan Ministry of Economic Affairs approved the borrower's plan to invest over NT\$2.1bn in capacity expansion, as part of a programme to encourage Taiwanese companies to invest domestically.

Depo was one of the earliest automotive lighting makers to set up factories in China, according to a ministry press release.

THAILAND

CP FOODS UNIT MAKES LOAN DEBUT

CP MERCHANDISING, a wholly owned unit of Charoen Pokphand Foods, is seeking its loan market debut through a three-year borrowing of up to US\$500m.

Deutsche Bank is the sole mandated lead arranger and bookrunner of the facility, which has been launched into senior syndication.

The deal pays an interest margin of 270bp over Libor and will fund general corporate purposes.

Sponsor CP Foods is providing a letter of comfort, while convenience store operator CP All will provide support through a pledge of shares.

The loan follows close on the heels of a US\$400m five-year refinancing completed in July for Hong Kong-listed agri-food conglomerate CP Pokphand, which is also a unit of CP Foods.

Bank of Communications Hong Kong branch was the sole mandated lead arranger and bookrunner of the borrowing, which attracted 14 lenders in general syndication.

The transaction offered a top-level all-in pricing of 200bp based on an interest margin of 190bp over Libor and an average life of 4.3 years.

Separately, Charoen Pokphand Indonesia is in the market for a US\$300m-equivalent revolving credit facility, which has attracted three lenders in senior syndication so far.

Citigroup and DBS Bank are the MLAs of the borrowing, which comprises Indonesian rupiah and US dollar tranches. The one-year revolver carries an extension option of another year.

The transaction offers a blended two-year top-level all-in pricing of 257.5bp over Jibor and 150bp over Libor, respectively, based on an interest margin of 210bp over Jibor and 115bp over Libor for the first year before stepping up to 250bp and 130bp respectively in year two.

CPI is a unit CP Indonesia Group, which in turn is a subsidiary of Thai conglomerate Charoen Pokphand Group.

CP Foods, also a unit of CP Group, operates a vertically integrated agro-industrial and food business including livestock and aquaculture.

EUROPE/MIDDLE EAST/AFRICA

FRANCE

EU TO DECIDE ON WORLDLINE'S INGENICO BUY

EU antitrust regulators will decide by September 16 whether to clear payments company **WORLDLINE'S** €7.8bn (US\$9.23bn) acquisition of rival Ingenico.

Worldline backed the acquisition with a €1.6bn one-year bridge loan from *Barclays*, *BNP Paribas*, *Commerzbank*, *Credit Agricole CIB*, *Morgan Stanley*, *Natixis*, *Societe Generale* and *UniCredit*.

The financing, which covers part of the €2bn cash component of the acquisition, includes two six-month extension options.

The bridge loan has been partly refinanced through an around €600m five-year convertible bond issued in July.

Worldline also issued a €1bn bond in June to pre-finance the acquisition. The bond comprised a €500m three-year tranche and a €500m seven-year tranche.

EMEA LOANS BOOKRUNNERS – FULLY

SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BNP Paribas	113	58,988.54	15.2
2 Credit Agricole	82	29,926.08	7.7
3 Santander	73	22,690.41	5.8
4 HSBC	63	19,447.73	5.0
5 UniCredit	89	18,945.23	4.9
6 SG	52	18,684.79	4.8
7 Citigroup	42	17,865.10	4.6
8 JP Morgan	44	17,571.04	4.5
9 Deutsche Bank	54	17,375.47	4.5
10 Sumitomo Mitsui	37	13,683.65	3.5
Total	469	388,701.12	

Proportional credit

Source: Refinitiv

SDC code: R17

Under the acquisition, Ingenico shareholders would receive 11 Worldline shares and €160.5 in cash for 7 Ingenico shares, through a mix-and-match mechanism.

The acquisition will create the fourth-biggest payments company in the world.

GERMANY

GEA INCREASES FINANCING

Food processing technology firm **GEA GROUP** has increased its existing credit lines by €300m as a precaution against the continuing risks posed by the Covid-19 crisis on the broader economy.

The company agreed an additional €200m cash credit line with a group of four banks in August after recently increasing its existing research and development loan from the European Investment Bank by €100m to €250m.

GEA is also looking at the potential of participating in a commercial paper programme, if required.

"These credit arrangements show we are taking timely action to broaden our solid financial basis and underscore that, even in a challenging macroeconomic environment, we remain committed to, and are investing in, trend-setting innovations," Marcus Ketter, CFO of the GEA Group, said.

"We are expanding our range of financing instruments with the option of issuing short-term, negotiable bearer bonds if required, thus emphasising our capital market capabilities."

The additional financing bolsters GEA's already good liquidity position of more than €650m.

The company tapped the syndicated loan market in August 2015, renewing a €650m revolving credit facility.

That financing was coordinated by mandated lead arranger and facility agent *Commerzbank*, with *BayernLB*, *BNP Paribas*, *Citibank*, *Credit Agricole CIB*, *Danske Bank*, *Deutsche Bank*, *DZ Bank*, *HSBC*, *LBBW* and *UniCredit* as mandated lead arrangers.

K+S GETS STATE-BACKED LOAN

Fertiliser and minerals producer **K+S GROUP** has agreed a €350m syndicated credit line backed by German development bank KfW to provide additional liquidity in the wake of the pandemic.

The financing has an initial one-year maturity with two one-year extension options.

The facility is structured as an additional tranche to the company's existing €960m syndicated loan, which was agreed in May 2019 via a group of 12 international banks led by DZ Bank, Helaba and LBBW.

That five-year financing comprised an €800m revolving credit facility and a €160m bullet term loan.

K+S is looking to divest its Americas operating units as part of a comprehensive realignment of the business to save administrative costs of about €60m a year. The sale of the business is expected to be agreed before the end of the year.

K+S aims to reduce its debt by more than €2bn by the end of 2021 to create the conditions for a stable crossover rating.

Year-on-year revenues and earnings in the European business were down as a result of lower average prices for potash fertilisers, while the Covid-19 crisis burdened Ebitda by a further €10m.

GRAMMER ADDS LOAN

Auto parts and accessories company **GRAMMER** has added €235m to its existing syndicated loan to bolster its financing against the impact of the Covid-19 crisis.

State-owned KfW is a direct lender to the additional three-year financing alongside Grammer's existing core banks.

Grammer has agreed to suspend dividends during the term of the new tranche, which was put in place on August 12.

The loan is structured as Tranche C of Grammer's existing syndicated loan that was agreed in February.

That financing comprised a €150m 5+1+1-year revolving credit facility and a US\$80m four-year term loan.

The financing was arranged by *Commerzbank* and *UniCredit* as bookrunners and mandated lead arrangers with *Erste Bank*, *HSBC* and *ING* also participating as mandated lead arrangers.

NETHERLANDS

ROYAL BAM GETS COV WAIVER

Construction firm **ROYAL BAM GROUP** has agreed a covenant waiver on its €400m revolving credit facility (RCF) that was fully drawn in March as a precaution during the Covid-19 pandemic.

The company sought a waiver on the interest ratio covenant in case of a possible breach of the covenant after the drawdown of the facility.

BAM has also agreed a waiver of the leverage ratio covenant on the RCF as an additional precautionary measure.

Both waivers are valid for 12 months.

In July, BAM said that it expected a loss of €130m–€150m in the first half after revenues were hit by the outbreak.

The RCF, which is due to mature in March 2023, is coordinated by *ING Bank* with *ABN AMRO*, *KBC Bank* and *Rabobank* as bookrunning

mandated lead arrangers. *BNP Paribas, Commerzbank, HSBC, Lloyds, Societe Generale* and *UniCredit* are mandated lead arrangers.

ABN AMRO is facility agent.

OMAN

MOF SIGNS LOAN

Oman's **MINISTRY OF FINANCE** has signed a US\$2bn one-year bridge loan with a club of eleven relationship banks, according to banking sources.

First Abu Dhabi Bank (FAB) and *Bank Muscat* acted a mandated lead arrangers, bookrunners and co-ordinators on the deal. FAB is also the facility and documentation agent. *Bank ABC, Emirates NBD, HSBC and Mashreq Bank* acted a mandated lead arrangers and bookrunners, *Abu Dhabi Commercial Bank, Gulf International Bank, Bank Dhofar, Natixis* and *Standard Chartered* acted a mandated lead arrangers.

The deal pays a starting margin of 205bp over Libor, which will increased to 255bp over Libor after six months and 315bp over Libor after nine months, one of the bankers said.

"It's pretty good pricing. The deal was confined to Oman's main relationship banking pool, plus it's a bridge loan and the internationals are there for the bonds, it is priced to market and it meets most banks' return requirements to come in," one of the bankers said.

The bridge loan is expected to be taken out in the bond market within in the first six months.

"I think there are immediate plans to issue the bond within the first six months so for all intents and purposes, the margin is 205bp," the banker said.

In March, the sultanate – one of the weakest economies in the oil-rich Gulf – was forced to put a US\$2bn sovereign loan on hold after it was hit by falling oil prices, the impact of Covid-19 and a downgrade by Fitch to BB from BB+, making the cost of a loan too expensive.

However, as market conditions have improved since March, Oman returned for the one-year loan, even though it suffered a second downgrade by Moody's to Ba3 from Ba2 on June 23.

Oman's Ministry of Finance could not be contacted for comment.

SWEDEN

SAS REVISES RECAP

Airline **SAS** has revised elements of its recapitalisation plan announced at the end of June as part of the company's response to the severe impact of the Covid-19 crisis on its business.

The recapitalisation aims to restore equity by SKr14.25bn (US\$1.635bn) and provide around SKr12bn of new funding.

It includes the raising of SKr12bn of new equity; and the conversion of SKr2.25bn of senior unsecured fixed-rate bonds and SKr1.5bn of hybrid bonds into equity.

Changes include revised conversion terms for the SKr1.5bn hybrid bonds and the conversion of a SKr2.25bn fixed-rate bond issue, which can now be converted into new hybrid bonds or shares at the option of the bondholders.

Interest on SKr6bn of state hybrid bonds to be issued to SAS's major shareholders has also been increased under the revised plan.

The new plan is supported by SAS's two largest shareholders, the governments of Sweden and Denmark, and the third largest shareholder, the Knut and Alice Wallenberg Foundation.

If the revised recapitalisation plan is not implemented and fails, SAS will not be able to remedy the liquidity shortage and the negative equity caused by the Covid-19 outbreak, which could lead to the company being forced to file for bankruptcy protection.

Proceeds of the recapitalisation will be used repay any outstanding amounts under the SKr3.3bn state-backed revolving credit facility (RCF) that was agreed in May.

The three-year RCF carries a 90% guarantee from the Swedish and Danish governments.

The RCF was coordinated by *SEB, Danske Bank, Nordea, SEB* and *Swedbank* were the mandated lead arrangers.

UK

SAMPO BACKS HASTINGS BUY WITH €1bn BRIDGE LOAN

Finnish insurer **SAMPO** is backing a £1.66bn bid for British motor insurer **HASTINGS** with a €1bn bridge loan from *JP Morgan* and *Nordea* as mandated lead arrangers.

Sampo is jointly bidding for Hastings with South Africa's **RAND MERCHANT INVESTMENT HOLDINGS LTD (RMI)**.

The 12-month term loan is being provided on a certain funds basis and is expected to be taken out with a planned €1bn Tier 2 hybrid bond.

The acquisition, which is expected to close by the end of the year, is also backed with existing cash resources of Sampo and RMI.

ABP DOCKS SONIA SWITCH LOAN

Ports operator **ASSOCIATED BRITISH PORTS (ABP)** has agreed a £150m term loan, which includes a mechanism to switch the interest

benchmark to the sterling overnight index average (Sonia) rate when Libor is phased out.

The two-year loan, which was agreed on May 27, will be used to refinance drawings under ABP's existing revolving credit facility (RCF) and restore liquidity headroom under the RCF.

NatWest is mandated lead arranger and facility agent on the club financing alongside three other relationship banks.

The loan is Libor from day one, but will automatically switch to Sonia at the earlier of the one-year anniversary of the facility or the cessation of Libor.

The loan market has until the end of 2021 to transition away from the widely used Libor benchmarks.

There is a reference rate waterfall on ABP's deal, starting with a publicly available screen rate for daily compounded Sonia; an official Bank of England index for daily compounded Sonia, which which began publication on August 3; a compounded rate formula as detailed in the facility agreement calculated manually by the facility agent with a five-day observation shift.

To bridge differences between Libor and Sonia, a fixed spread adjustment has been added calculated to be the five-year historical median basis spread between Sonia and three-month Libor, fixed at 12bp at signing.

There is also a 0% Sonia floor to replicate the market convention on Libor.

If Sonia is unavailable, the Bank of England base rate will be used.

In June 2019, ABP became the first bond issuer to switch to a Sonia-based coupon from a Libor-based coupon on an existing bond. The £65m floating-rate note due 2022 switched to compounded daily Sonia from June 26, 2019.

URBAN LOGISTICS SIGNS £151m LOAN

Specialist logistics real-estate investment trust **URBAN LOGISTICS** has signed a £151m bank loan, refinancing an existing £75.7m loan which was due to mature in December 2022.

The financing, which was signed on August 7, is being provided by *Barclays, Santander* and *Lloyds Bank* with an initial three-year maturity plus an option to extend for a further two years.

The loan will be used to fund future asset purchases.

Urban Logistics said previously that it was aiming at a loan-to-value range of between 30% and 40%, with the intention of being at the lower end of the range until the Covid-19 crisis ended.

The previous financing was originally agreed in December 2018 via *Barclays* and *Santander*.

NORTH AMERICA

UNITED STATES

» TJX SIGNS RCF

Discount apparel and home fashion retailer **TJX COMPANIES** has signed a US\$500m, 364-day revolving credit facility, according to a filing with the US Securities and Exchange Commission.

US Bank acted as the administrative agent for the facility and Bank of America was the syndication agent. Both banks, as well as Deutsche Bank, HSBC, JP Morgan and Wells Fargo, were joint lead arrangers and bookrunners.

The loan is set to mature on August 9 2021.

Pricing for the new revolver ranges from 110bp to 190bp over Libor, plus a facility fee of 15bp to 35bp, based on the company's debt ratings.

The company is required to maintain a minimum liquidity of at least US\$1.5bn of unrestricted cash and cash equivalents and aggregate borrowing availability through April 30 2021.

TJX must also have minimum earnings before interest, taxes, depreciation and amortisation and rentals of at least US\$650m for the fiscal quarter ending January 30 2021.

The company has no outstanding revolving loans. In July, it paid back US\$1bn under two revolvers: a US\$500m revolver maturing in 2022 and a US\$500m revolver maturing in 2024, according to the filing.

Framingham, Massachusetts-based TJX, which owns T.J. Maxx, Marshalls and other discount retailers, is rated A by S&P and A2 by Moody's.

AMERICAS LOANS BOOKRUNNERS – FULLY

SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Bank of America	602	153,724.23	12.9
2 JP Morgan	516	144,626.32	12.1
3 Citigroup	296	98,470.17	8.2
4 Wells Fargo	375	86,180.13	7.2
5 Barclays	181	39,618.88	3.3
6 Goldman Sachs	169	39,345.29	3.3
7 Morgan Stanley	99	36,674.93	3.1
8 RBC	169	35,924.63	3.0
9 Credit Suisse	117	32,734.94	2.7
10 US Bancorp	207	30,555.54	2.6
Total	1,987	1,194,799.98	

Proportional credit

Source: Refinitiv

SDC code: R7

LATIN AMERICA

CHILE

» BORROWERS SPARK DEMAND FOR SLL

Two companies have signed bank loans linked to sustainable performance targets in the last two months as more Latin American companies begin to incorporate environmental, social and governance (ESG) policies into their financing strategies.

On August 7, pulp and paper company **EMPRESAS CMPC** signed a US\$100m sustainability-linked revolving credit facility, following a US\$40m loan from glass bottle maker and recycling company **CRISTALERIAS TORO** in July.

Santander arranged the sustainability-linked loan for Cristalerias Toro, which is tied to the company's ESG measures, according to a July 13 press release from Santander.

CMPC's revolver is linked to four environmental sustainability performance targets that measure key performance indicators for greenhouse gas emissions, industrial water use, industrial waste to landfill, and area for protection, conservation and restoration, according to a press release from BNP Paribas.

BNP Paribas was the administrative agent and sustainability coordinator on the deal for CMPC, Refinitiv LPC reported on August 7.

SMBC, MUFG and Export Development Canada were joint bookrunners on the loan, which matures in September 2022, two sources said.

Elsewhere, Brazilian pulp and paper peer **SUZANO PAPEL E CELULOSE SA** had also started discussions with its relationships banks over potential green or sustainability-linked loans, the company's chief financial officer Marcelo Bacci told Refinitiv LPC in an interview at the time.

Mexican real-estate investor **FIBRA UNO** signed a roughly US\$1bn-equivalent revolving credit facility tied to sustainability targets in Mexican pesos in July last year.

The Chilean subsidiary of Spanish infrastructure company **ACCIONA** raised a US\$30m loan linked to ESG metrics in US dollars and Chilean pesos from Santander in May 2019.

COSTA RICA

» LIBERTY LATIN AMERICA LINES UP LOAN

Telecommunications company **LIBERTY LATIN AMERICA** is lining up a Term Loan A to support its acquisition of peer **TELEFONICA**'s wireless operations in Costa Rica, according to two

sources familiar with the transaction.

Lead arrangers Scotiabank and JP Morgan are expected to launch a loan into syndication before the end of August, the sources said.

Spokespersons for the banks did not immediately respond to a request for comment and a spokesperson for Liberty Latin America referred questions to a July 30 press release.

Liberty Latin America said in the release that it agreed to acquire the assets in Costa Rica from Spain's Telefonica for an enterprise value of US\$500m. It intends to group the new assets alongside its existing Costa Rican cable operating business Cabletica, according to the release.

The company acquired a majority stake in Cabletica from Televisora de Costa Rica in October 2018.

Both Telefonica's wireless operations in Costa Rica and Cabletica will fall under Liberty Latin America's VTR brand.

Last October, Liberty Latin America also agreed to buy AT&T's operations in Puerto Rico and the US Virgin Islands for US\$1.95bn.

Liberty Latin America is a wireless telecommunications and cable operator in 20 countries in South America and the Caribbean operating under the brands VTR, Flow, Liberty, MasMovil, BTC, UTS and Cabletica.

LEVERAGED LOANS

UNITED STATES

» BANKS COMMIT FINANCING FOR CD&R BUY

Five banks have committed financing for Clayton, Dubilier & Rice's (CD&R) acquisition of HD Supply's construction and industrial business, known as **WHITE CAP**, according to a press release from the private equity firm on Tuesday.

Deutsche Bank, RBC Capital Markets, Jefferies, BNP Paribas and Credit Suisse committed to provide the financing.

The transaction is valued at roughly US\$4bn, CD&R said in its press release.

CD&R said it will combine White Cap with Construction Supply Group (CSG), which distributes speciality concrete and masonry accessories.

Upon closing, CD&R will hold a 65% stake in the combined company, while current CSG shareholders, led by private equity firm the Sterling Group, will hold the remaining 35% share in the company.

The tie-up aims to create a North American distributor of concrete accessories and speciality construction and safety products with more than US\$4bn in annual revenue.

White Cap operates 270 branches with about 5,500 employees.

CSG employs roughly 2,000 staff and operates 130 branches.

The acquisition of White Cap is expected to close in October and is not conditional on the closing of the acquisition of CSG.

Goldman Sachs is advising HD Supply.

Deutsche Bank, RBC Capital Markets, BNP Paribas and Credit Suisse are advising CD&R.

Jefferies is advising The Sterling Group and CSG.

ROYAL CARIBBEAN ADDS LOAN

Cruise ship company Royal Caribbean Group (RCG) has secured a US\$700m 364-day term loan from *Morgan Stanley* amid the Covid-19 crisis that has seen the suspension of its cruise operations.

The financing, which is for general corporate purposes, pays 375bp over Libor.

There is an option to increase the size of the loan by US\$300m subject to additional or increased commitments and the issuance of guarantees from additional subsidiaries.

The financing is guaranteed by RCI Holdings, a wholly owned subsidiary of the RCCL that owns the equity interests in subsidiaries that own seven of the company's vessels.

RCCL took action to mitigate the impact of the crisis on its business and improve liquidity.

In March, the company increased its existing US\$1.7bn and US\$1.2bn unsecured revolving credit facilities (RCFs) due in 2024 and 2022, by US\$200m and US\$400m, respectively, using accordion options on the facilities.

The company had fully drawn the US\$3.5bn of RCFs at the end of June.

Also in March, the company agreed a US\$2.2bn 364-day senior secured term loan, increasing the loan by US\$150m in May through an accordion option.

The term loan was fully repaid after RCCL issued US\$3.32bn of senior secured bonds in May.

In June, the company issued US\$1bn of three-year senior unsecured bonds and US\$1.15bn of three-year convertible bonds.

RCCL has also amended some of its export credit agency backed loans to take advantage of a 12-month debt holiday offered to crisis-hit cruise operators.

Deferred debt repayments of about US\$900m will be paid over four years after the 12-month deferral period.

Apollo seeks undervalued credits

US Asset manager to raise US\$2bn–\$3bn

APOLLO GLOBAL MANAGEMENT is seeking to raise between US\$2bn and US\$3bn to invest in undervalued assets, according to a source familiar with the matter, after raising a sizeable fund earlier this summer.

The asset manager is in the market with Apollo Accord Fund IV (Fund IV). The firm has not had an initial close on the pool of capital yet, the source said.

In May, Apollo raised US\$1.75bn for Accord Fund III B in eight weeks after the firm had invested much of the strategy's remaining capital within seven business days, Refinitiv LPC previously reported.

Josh Harris, a firm co-founder, said on Apollo's second-quarter earnings call: "Our private equity and credit pipelines are robust, and we believe there will be many opportunities for us to identify and capture mispriced risk on behalf of our investors in the months and quarters to come."

A spokesperson for the New York-based asset manager declined additional comment.

The investment approach for the Accord group of funds is to provide financing in cases of "broad-based market stress" by investing in high-quality credits in sectors that are experiencing dislocation or are distressed, the press release for Fund III B said.

Fund IV will invest in significantly discounted but performing debt, which in most cases will be tradable credit, according to investor memos to the Board of University and School Lands of the North Dakota Department of Trust Lands. The North Dakota state investment body approved a US\$100m investment in Fund IV at its July 29 meeting, a Department of Trust Lands spokesperson said in an email.

The fund will aim for a 12% to 15% net internal rate of return and 1.25 times to 1.4 times multiple on invested capital, the investment memos said. It will charge a 1% management fee and an incentive fee of 15% over a hurdle rate of 5%.

Andrew Hedlund

The company has amended its loans to waive quarterly tested fixed-charge coverage and net debt to capitalisation covenants through to and including the first quarter of 2021, replacing them with a monthly-tested liquidity covenant.

The company's UK subsidiary, RCL Cruises Ltd, has also issued £300m of commercial paper through the Bank of England's Covid Corporate Financing Facility (CCFF).

At the end of June, the company had liquidity of US\$4.1bn.

Earlier in August, RCCL extended its suspension of cruising, excluding sailings from China and Australia, to the end of October.

HERSCEND LAUNCHES LOAN REFI

Theme park operator **HERSCEND ENTERTAINMENT** has launched a US\$465m loan that it will use to refinance existing debt, a source said.

The five-year loan is being offered at 550bp to 575bp over Libor with a 1% floor and a 96 original issue discount.

The debt will be non-callable for the first year, callable at 101 after year one and then callable at par thereafter, the source said.

JP Morgan is leading the deal.

Proceeds will also fund cash to the company's balance sheet.

Herschend operates 20 theme parks and tourist attractions, including the Harlem Globetrotters basketball entertainers and Pink Jeep Tours.

VERITAS FINALISES TERMS ON LOAN

Software company **VERITAS** on Thursday finalised the terms of a dual-currency debt package, a source said.

The five-year transaction now comprises a US\$1.325bn loan that has been decreased from US\$1.55bn and a €550m (US\$650m) loan that has been cut from €690m.

Both portions of debt are being offered at 550bp over Libor/Euribor with a 1% floor and a 98 original issue discount (OID).

Initially, the loans were offered at 525bp to 550bp over the respective benchmark and a 98–98.5 OID.

Bank of America and *Morgan Stanley* are arranging the financing, the source said.

Proceeds will refinance existing loans due in January 2023. Corporate ratings are B3/B– and the first-lien loans are rated B2/B.

Veritas tapped the leveraged loan market in June 2017. The company repriced its then US\$1.95bn term loan and €900m loan in euros to 450bp over Libor/Euribor with a 1% floor, Refinitiv LPC reported at the time.

ASCENSUS UPSIZES LOAN

Investment services provider **ASCENSUS** on Thursday upsized a loan to US\$1.1bn from US\$1.05bn and finalised the terms of the first-lien facility, a source said.

The loan is being offered at 400bp over Libor with a 1% floor, a 99 original issue discount and 101 soft-call protection for six months.

Distressed investors look to opportunities

■ US Travel services and fitness sectors offer value

The coronavirus pandemic, which wreaked havoc on the US economy in the first half of the year, also enabled distressed debt market participants to take advantage of opportunities in sectors such as travel services and fitness, which are expected to be part of an eventual recovery.

"The travel sector is interesting to us – while it is bad now, very few people think the travel sector is going away forever. In the rental car space, for example, there was a real concern about the decline in airport travel, but we're still seeing people rent cars," Adi Habbu, director of distressed trading at Barclays said.

It may take until 2023 before the global travel sector fully returns to its pre-pandemic performance, S&P analysts said in a July report.

"Sectors that involve people gathering in close proximity, or those that materially rely on consumer discretionary spending, such as cruises, airlines, non-essential retail, autos, and commercial aerospace, may need several years to return to 2019 earnings levels," the report said.

A longer recovery time frame is not deterring Adam Cohen, managing partner at hedge fund Caspian Capital, from focusing on businesses like travel and fitness, he said in an interview. That's because those businesses were performing prior to the pandemic and should return once virus-related shutdowns subside.

"We are avoiding most energy credits except for some in the midstream space, which is less commodity-dependent than the rest of the energy sector but again, making a bet on energy is really just guessing where a few conglomerates are going to price a commodity and that's generally not been a good trade," he said.

Cohen also said that his fund would remain active in the Single B, Triple C loan space, citing opportunities in that space.

LOAN MAYHEM

In line with the market carnage, US loan defaults hit US\$43.5bn as of July 28, more than triple the US\$12bn volume in the same period 2019, according to Refinitiv LPC data.

Of the 66 companies that recorded loan defaults this year, 25 were due to missed interest payments, and 32 were because they filed for Chapter 11 bankruptcy protection.

Defaults are expected to increase in the second half of 2020, as the prevalence of so-called "covenant-lite" loans set the stage for more restructuring activity. Approximately 78% of the leveraged institutional loan market is covenant-lite, according to Moody's.

"Given the prevalence of covenant-lite debt, the first shot will be to do coercive tenders. Extending runway has been a trend in the distressed market for a long time, except with coronavirus, parties might not get the results they want, which would ultimately lead to more restructurings," Habbu said. Coercive tenders happen when existing debt-holders are offered new debt that helps the company but carries a higher interest rate. At the same time, the new debt may not offer as much protection to lenders.

S&P also anticipates the downgrade potential of US corporates to remain high as the pandemic stretches solvency. For the second quarter, US corporate downgrades reached a record 414, surpassing the previous high of 331 in the first three months of 2009.

More than half of the outstanding loans issued at par come from issuers rated B, B-, or CCC+, S&P said in its July report.

"This weighting to the lower end of the ratings ladder isn't a new trend, but it is heavier now than before the pandemic. The shape of economic recovery by sector will be critical for this cohort of issuers," the S&P analysts said.

Sasha Padbidri

Ascensus launched the loan at a range of 400bp to 425bp over Libor.

The loan will mature in December 2026. Credit Suisse, JP Morgan, Barclays, Deutsche Bank and Capital One are arranging the financing, the source said.

Proceeds will refinance existing first-lien loans. Corporate ratings are B3/B- and the first-lien debt is rated B2/B-.

In October 2019, Ascensus launched a US\$160m add-on term loan that it used to fund tuck-in acquisitions, Refinitiv LPC reported at the time. The add-on was offered at 425bp over Libor with a 1% floor.

Construction contractor TUTOR PERINI upsized a loan by US\$50m to US\$425m.

The seven-year first-lien loan closed to pay 475bp over Libor with a 1% floor, at 98 original issue discount (OID) and 101 soft-call protection for 12 months.

The margin also contained a 25bp step-down once the total net leverage ratio is 0.5 times less than where the ratio is when the deal closes.

Initially, the debt was offered at 475bp to 500bp over Libor with an OID of 97.5 cents on the dollar.

The incremental debt basket was also reduced to US\$173.5m, or 50% of Ebitda, from US\$260m, or 75% of Ebitda.

The excess cashflow sweep was set at 50% for the first year of the loan.

Furthermore, the cap on Ebitda add-backs was lowered to 20% from 25%.

Goldman Sachs, BMO Capital Markets, Deutsche Bank and M&T Bank were arranging the deal.

Proceeds will repay borrowings from a revolving credit facility, repurchase outstanding convertible notes due in 2021 and pay fees and expenses related to this transaction.

Corporate ratings are B2/B+ and the first-lien loan is rated Ba3/BB-/BB+.

Veterinary hospital operator PETVET CARE CENTERS increased the size of its add-on loan by US\$50m and tightened the discount.

The company syndicated a US\$250m term loan, up from US\$200m initially proposed.

The OID set at 99.75 compared with the 99 OID initially offered.

Proceeds will be used to fund an acquisition and general corporate purposes.

PetVet's add-on loan is fungible with an existing facility. The loan is priced at 425bp over Libor with a 1% floor and is due February 2025.

The loan has 101 soft-call protection for six months.

Jefferies and KKR Capital Markets are joint bookrunners on the deal.

ASPLUNDH UNVEILS TERMS

Vegetation management services provider ASPLUNDH TREE EXPERT unveiled the terms of a US\$2bn loan.

The seven-year loan is being offered at 275bp over Libor with a 0% floor, a 98.5–99 original issue discount and 101 soft-call protection for six months.

Wells Fargo is leading the deal, the source said.

Proceeds will fund a shareholder dividend, refinance debt and pay fees and expenses related to the transaction.

Corporate and first-lien ratings are Ba1/BBB-.

Specialty aerosol products maker PLZ AEROSCIENCE has released the pricing of its US\$360m term loan.

The US\$360m term loan is offered at 425bp over Libor, with a 1% floor at 98.5 OID.

The loan has 101 soft-call protection for six months.

The total debt package includes a US\$25m revolving credit facility.

Antares is leading the financing.

Proceeds of the loan will be used to repay existing debt and provide support for future acquisitions.

WINDSTREAM LOAN TRADES UP

Telecommunications company **WINDSTREAM SERVICES'** new US\$750m loan was quoted higher than its original issue discount (OID) after breaking for trading, according to a source.

The seven-year loan was quoted at 96.25–97.25 cents on the dollar on August 12, up from an OID of 96 cents, the source said.

Windstream's loan finalised at 625bp over Libor with a 1% floor and 101 soft-call protection for 12 months.

The call protection was amended from a 101 soft call for six months.

JP Morgan, Goldman Sachs, Truist Bank, Citigroup, Deutsche Bank and Morgan Stanley arranged the financing.

Proceeds will repay a debtor-in-possession (DIP) financing, provide cash recoveries to certain creditors of Windstream and fund general corporate purposes.

The company also raised US\$1.4bn in high-yield bonds to help repay DIP financing and fund costs related to its emergence from bankruptcy, IFR reported on Tuesday.

Corporate ratings are B3/B– and the first-lien loan is rated B3/B.

In March 2019, Windstream raised US\$1bn in DIP financing following its bankruptcy filing a month earlier, Refinitiv LPC reported at the time.

The DIP comprised a US\$500m cash flow revolving credit facility and a US\$500m term loan.

EUROPE/MIDDLE EAST/AFRICA

BIOGROUP PAYS UP FOR €536m ACQUISITION LOAN

French laboratory services group *Biogroup LCD* has priced and allocated a €536m acquisition loan after widening pricing prior to close on Monday, banking sources said.

The Term Loan B was priced at 475bp over Euribor, after launching at 425bp. A 0% floor remained the same. An OID firmed at 96, the wider end of 96–97 guidance.

Pricing is higher than the firm's €274.7m add-on acquisition loan, which was priced at 425bp in June this year.

JP Morgan, Natixis and Goldman Sachs were global coordinators and physical bookrunners, alongside bookrunners *Credit Agricole* and *HSBC*.

The loan will have 101 call protection for six months and will mature in April 2026, the same as Biogroup's existing TLB.

Proceeds from the loan will be used to finance an acquisition of a European player operating outside of France and to repay €90m of RCF, currently drawn for the

Fed pushed to make lending programme more inclusive

US Small and mid-sized borrowers targeted

US lawmakers are pushing the US Federal Reserve to relax guidelines on its Main Street lending programme to make it more inclusive for small and mid-size borrowers and their lenders.

The programme came under fire during the August 7 Congressional Oversight Commission hearing, where lawmakers expressed concerns that mid-sized companies in need of financial assistance could not easily access federal funds. So far, just US\$189m of loans across 29 transactions have either been committed or settled since the programme's introduction.

Both the Main Street New Loan Facility (MSNLF) and Main Street Priority Loan Facility (MSPLF) were introduced as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed in March in to help middle-market businesses respond to the coronavirus impact on the US economy.

The Fed is administering the US\$600bn programme overseen by the Federal Reserve Bank of Boston. While banks originate the loans, under the programme, 5% is held by the lenders and 95% is held by the government.

The Congressional Oversight Commission is a bipartisan committee established under the CARES Act to regularly review the impact of the Main Street lending programmes.

Republican Representative French Hill of Arkansas said that the affiliation rules of both programs were a "significant barrier" for banks providing credit to mid-market companies.

Under both programs, companies that employ fewer than 15,000 people and generate revenues below US\$5bn can qualify, if they are unaffiliated. But companies are deemed affiliated if one entity owns more than 50% of a separate company, therefore boosting the overall employee count. Many private equity-owned companies therefore cannot qualify for a loan.

Republican Senator Pat Toomey of Pennsylvania raised the point that loans made under the scheme are likely too risky for banks and suggested that the programme should be extended to business development companies to act as lenders, who are "more inclined and willing to take more credit risk".

Democratic Representative Donna Shalala of Florida said the trend of banks increasing restrictions on loan documentation to reflect the wider uncertainty related to the pandemic "undermines" the goal of the programme of getting financing to struggling middle-market borrowers.

Eric Rosengren, chief executive officer of the Federal Reserve Bank of Boston, spoke on behalf

of the programme and said it was still in its early stages due to the bespoke nature of bank loans compared with public securities. The deadline for both schemes is December 31 2020.

"We're slowly seeing an increase in volume. One of the challenges of dealing with bank loans is that it doesn't happen quickly and can frequently take many, many months before they get the negotiation completed," Rosengren said.

REVISIONS

At the hearing, Vince Foster, executive chairman of Main Street Capital Corp, a private debt firm, said that the programme "is not responsive to their (middle-market companies) needs as currently structured".

Under both programmes, loans are limited to a spread of 300bp over Libor at a maximum four times Ebitda for companies borrowing under the MSNLF and six times Ebitda under the MSPLF. This means that for the risk lenders take they are not generating a sufficient return.

Instead, he suggests that spreads should be increased to 400bp over Libor with maximum leverage for MSNLF increased to six times Ebitda and to 7.5 times Ebitda for MSPLF.

Foster was also critical of the "onerous" amortisation restrictions and the five-year tenor limits. Loans under the programme require 15% of the principal be paid off at the end of the third year after issuance, a further 15% at the end of the fourth year, and the remaining 70% at maturity.

As a remedy, Foster recommended that tenors on loans be extended to seven years with amortisation not beginning until the end of the fourth year, providing extra time for companies to manage their cashflows.

Foster pointed to the requirement that existing debt must be subordinate to or *pari passu*, in the case of the MSPLF, with the new loans made under both programmes as a key barrier for more lenders tapping the programme. Instead, loans made under both programmes should be unsecured and rank junior to existing senior debt facilities.

"The lending facilities as currently structured are unattractive to those borrowers that are reasonably creditworthy as less restrictive financing is likely to be available from conventional sources," Foster said at last Friday's hearing.

"Yet the facilities remain unavailable due to lender reluctance to accept balance sheet exposure with respect to less creditworthy borrowers," he added.

David Brooke

Investors struggle to assess risk – ELFA

■ EUROPE Greater transparency needed on covenant capacity

A majority of leveraged loan and high-yield bond investors are struggling to assess the risks on covenant capacity, according to a survey conducted by the European Leveraged Finance Association, showing the need for greater covenant transparency and disclosure.

In the ELFA survey that interviewed 140 investors, over 90% of respondents were unable to accurately calculate covenant capacity, because management's calculations were not disclosed.

In recent years, a relaxation in documentation has given borrowers' an unfettered ability to pay dividends, incur additional debt, dilute security and transfer capital. These hidden flexibilities has made it harder for loan and bond holders to assess their risks.

"The results of ELFA's survey of investors on covenant transparency show that the drastic increase in covenant complexity has made it difficult, and in some cases impossible, for investors to quantify the level of risk they are incurring," said Sabrina Fox, ELFA's executive adviser.

The survey also found that discussions with management do not occur frequently. Approximately 40% of the respondents reported management never, or almost never, answers investor questions on covenant capacity. Nearly 50% said that management only sometimes

answered these questions.

In addition, a majority of respondents (over 70%) link covenant transparency as a component for their ESG analysis, while over 75% of them reported that disclosure on covenant capacity would strengthen a firm's governance score under ESG analysis.

In addition to the survey, ELFA has launched a public consultation on best practice for covenant disclosure that will close on August 14.

"We are encouraged by the strong engagement in the public consultation received so far," Fox said. "Transparency in this area is essential to strong governance, and the best-practice guidance will seek to support companies in making clear disclosure to investors on covenant calculations."

The consultation will focus on Ebitda as defined under the covenants, the amount of debt captured by the "indebtedness" definition, restricted payments capacity and borrowers' discretion in applying accounting standard IFRS 16 to covenant calculations.

ELFA represents European leveraged finance investors from more than 30 fixed-income managers, investment advisers, insurance companies and pension funds.

Prudence Ho

acquisition of Dyomedeia, a laboratory services company in Rhone-Alpes.

In December 2019, Biogroup secured a €240m add-on loan at 375bp over Euribor. That add-on also financed acquisitions and repaid drawings under a revolving credit facility.

Biogroup, rated at B2/B-/B, is the third-largest player in routine lab testing and is majority owned by Stephane Eimer.

Canadian public pension fund CDPQ invested €180m in the group in 2018 to support the geographical expansion of the company.

■ ROVENSA PRICES BUYOUT LOAN

Portuguese agrochemical company **ROVENSA** priced a €440m loan backing its acquisition by Partners Group, banking sources said.

The seven-year Term Loan B was priced in line with guidance at 450bp over Euribor, with a 0% floor, at 98 OID.

The loan includes 101 soft-call protection for six months.

BNP Paribas, Credit Agricole, HSBC and Rabobank were joint physical bookrunners,

while Mizuho and Societe Generale were joint bookrunners.

Partners Group announced earlier this month the acquisition of a majority stake in Rovensa from private equity firm Bridgepoint. The transaction values Rovensa at an enterprise value of around €1bn.

Proceeds from the loan will be used to finance the purchase, refinance existing senior secured debt and pay related fees and expenses.

Rovensa's portfolio of agricultural solutions and technologies helps farmers to enhance crop yields and provide food security. Its products are sold in more than 70 countries and generate an annual revenue of approximately €360m.

ASIA-PACIFIC

■ JB CHEMICALS LBO LOAN LAUNCHES

Private equity giant KKR & Co has launched into syndication a US\$206m five-year loan to support its acquisition of a majority stake in

Indian pharmaceutical company **JB CHEMICALS & PHARMACEUTICALS**.

Sumitomo Mitsui Banking Corp has joined mandated lead arrangers and bookrunners BNP Paribas, Credit Agricole, Deutsche Bank and Goldman Sachs on the deal, which has a 4.75-year average life.

The financing is split into a US\$191m term loan and US\$15m revolving credit facility and pays an opening interest margin of 450bp above Libor. The deal's leverage is around 4x.

Banks joining the deal on or before September 11 will earn a 15bp early-bird fee. The final deadline is September 25.

MLAs committing US\$25m or above will earn a 175bp fee for a top-level all-in of 486.84bp (excluding the early-bird fee).

Lead arrangers taking US\$15m–\$24m earn a 150bp fee for an all-in of 481.58bp, while arrangers with tickets of US\$10m–\$14m receive a 125bp fee for an all-in of 476.32bp.

KKR said on July 2 it had agreed to acquire a controlling stake in the listed company from the founding Mody family. The PE firm will purchase 41,732,332 shares, or 54% of the voting share capital, for up to Rs31.09bn (US\$415m) at Rs745 per share.

The transaction requires a mandatory open offer for an additional 26% of the company, which may cost up to Rs14.96bn assuming full acceptance of the offer.

JB Chemicals' Ebitda for the financial year ended March 2020 was Rs3.77bn, up 23.4% from Rs3.05bn in the same period a year earlier.

The company makes cardiac, gastrointestinal and anti-infective therapeutic products across the branded formulations market.

JB Chemicals exports to over 40 countries across the world and earns more than half of its revenue from its international business, KKR said.

RESTRUCTURING

UNITED STATES

■ AVIANCA SEEKS DIP

Colombian airline **AVIANCA** has scheduled a lender call for 11am on Friday to discuss a US\$1.3bn debtor-in-possession loan, a source said.

The 18-month, delayed-draw loan is being offered at a cash price of 1,000bp to 1,050bp over Libor, or a margin of 1,150bp to 1,200bp over Libor through payment-in-kind.

The DIP loan will also include a 0.5% floor that will be payable in cash or in kind at the borrower's election and a 98 original issue discount, the source said.

Avianca is expected to draw on approximately two-thirds of the loan once it closes.

Undrawn commitment fees will be 50bp for the first 30 days, before increasing to 33% of the drawn spread from days 31 to 60, 50% of the drawn spread from days 61 through 120 and 100% of the drawn spread thereafter.

Goldman Sachs and JP Morgan are arranging the financing.

Corporate ratings are Caa1/D/D.

Proceeds will fund expenses and operations of the company throughout Chapter 11 bankruptcy proceedings, the

loan will also roll up Avianca's existing pre-petition claims and go towards general corporate purposes.

On May 10, Avianca said in a press release that it filed for Chapter 11 protection in the US Bankruptcy Court for the Southern District of New York.

ASIA-PACIFIC

KRISENERGY SKIPS OBLIGATIONS

Cash-strapped **KRISENERGY** said last Tuesday it would not pay the interest and principal payments due on bank loans and an outstanding S\$200m (US\$145.6m) 4% bond due 2023.

Principal and interest payments totalling US\$4.38m are due on August 21 on separate

EUROPEAN LEVERAGED LOANS

BOOKRUNNERS: 1/1/2020 TO DATE

US LEVERAGED LOANS

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Bank of America	349	56,921.75	11.5
2	JP Morgan	261	43,575.90	8.8
3	Wells Fargo	205	38,873.84	7.9
4	Citigroup	137	30,260.39	6.1
5	Goldman Sachs	133	26,824.68	5.4
6	Credit Suisse	100	26,416.99	5.4
7	Barclays	123	22,906.19	4.6
8	Morgan Stanley	74	18,802.92	3.8
9	RBC	80	15,756.63	3.2
10	Deutsche Bank	91	15,324.46	3.1
	Total	977	492,854.72	

Excluding Project Finance.

Source: Refinitiv

SDC code: P2

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	26	4,990.85	7.1
2	BNP Paribas	30	4,943.85	7.0
3	HSBC	19	4,728.14	6.7
4	Goldman Sachs	20	4,570.18	6.5
5	Credit Agricole	23	4,552.48	6.4
6	Barclays	19	4,177.21	5.9
7	Deutsche Bank	23	3,874.72	5.5
8	Citigroup	11	3,446.14	4.9
9	UniCredit	16	3,145.43	4.4
10	Natixis	8	3,018.13	4.3
	Total	114	70,782.03	

Excluding project finance. Western Europe only included.

Source: Refinitiv

SDC code: P10

loans owed to HSBC and Standard Chartered Bank. In addition, a S\$4m interest payment on the 2023s is due on August 22.

The Singaporean upstream oil and gas company said it was conserving all available cash to meet its funding requirements while working on a restructuring proposal that would protect the interests of all stakeholders. As such, it will not pay the coming obligations.

KrisEnergy applied for court protection in August last year to restructure total debt of around US\$477m. It plans to hold meetings in August under a court-supervised scheme of arrangement where unsecured creditors will vote on the restructuring proposals.

Drew & Napier is legal adviser and Houlihan Lokey Singapore is financial adviser to KrisEnergy on the restructuring process.

EMEA SPONSORED LOAN BOOKRUNNERS

BY VOLUME: 1/1/2020 TO DATE

Europe, Middle East, Africa

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	13	2,226.55	6.2
2	Deutsche Bank	14	2,159.01	6.0
3	HSBC	9	2,064.72	5.7
4	SG	7	2,007.09	5.5
5	Bank of America	9	1,962.05	5.4
6	BNP Paribas	13	1,923.10	5.3
7	UniCredit	9	1,894.81	5.2
8	Credit Agricole	12	1,866.30	5.2
9	Credit Suisse	15	1,737.18	4.8
10	Barclays	11	1,722.40	4.8
	Total	60	36,177.36	

Excluding project finance.

Source: Refinitiv

SDC code: P13

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■ FRONT STORY IPO

CureVac surges on debut

Vaccine development given a shot in the arm with Nasdaq listing

German biotech **CUREVAC** showed that investors will back newcomers with Covid-19 vaccine candidates, as well as listed names, by raising US\$213m from a Nasdaq IPO and trebling in early trading on Friday.

The latest in a series of financings the company now has a huge cash hoard to fund Phase I trials and bankroll it through to potential commercialisation early next year.

Bank of America, *Jefferies* and *Credit Suisse* already fielded significant reverse enquiry before launching 13.33m shares marketed at US\$14–\$16. Biotech floats have been tricky of late, so pricing was not revised even as book coverage was 10 times the shares offered.

The banks set pricing at US\$16, valuing CureVac at US\$2.8bn.

German billionaire and SAP co-founder Dietmar Hopp, CureVac's top shareholder with a 49.1% post-IPO stake, is investing a further €100m (US\$117m) in a private placement alongside the IPO.

This is a huge bet for Hopp, valuing his stake at US\$1.4bn.

Last month CureVac raised US\$640m from a private round that saw KfW take an 18.3%

stake for €300m in addition to a new investment from Qatar's sovereign wealth fund.

GlaxoSmithKline, a partner, and existing institutional investors also participated.

Trading on Nasdaq did not begin until the afternoon with shares eventually opening at US\$44 before breaking through US\$50 within half an hour.

NEXT PHASE

CureVac now has roughly a US\$780m cash pile to fund development of its Covid-19 vaccine and other messenger RNA treatments and vaccines.

It launched a Phase I trial of its Covid-19 vaccine candidate in June and expects to advance to Phase II/III trials by Q4. It is ramping up production of the vaccine for commercialisation next year.

Still, CureVac's rivals Moderna and BioNTech have head starts in developing their mRNA vaccines. Both launched Phase III trials last month with some help from the US government's Operation Warp Speed programme.

Moderna received a US\$483m grant in April to expand manufacturing capacity.

Fellow German BioNTech received a US\$1.95bn order from the US last month for the vaccine it is developing with Pfizer.

The US government reportedly offered CureVac US\$1bn in March for exclusive rights to its Covid-19 vaccine, though the US government called the reports "overblown".

CureVac's vaccine is potentially more potent than the ones Moderna and BioNTech are developing, meaning patients may need fewer or lower doses.

Even if all of the vaccines are approved, the combined production capacity coming from CureVac, Moderna and BioNTech could still fall short of global demand.

CureVac is working to expand its capacity with a new manufacturing facility in Germany that will be capable of producing billions of vaccine doses.

CureVac is also working with Tesla to build portable "RNA Printers" for producing small batches of vaccines in remote global locations.

Robert Sherwood

Restrictions spoil AREIT debut

Some brokers unaware they need special licence to trade in REITs

The Philippines waited a decade for its first REIT IPO, but brokers discovered last week that they may need more time before they can actually trade the securities.

When shares of **AREIT**, previously known as AyalaLand REIT, started changing hands on Thursday, some brokers found that they could not buy and sell the securities on behalf of clients, unaware a special licence was required to participate in the new market.

The lack of retail orders as a result of the licence snafu contributed to a 7.8% fall in the shares on their debut.

"A positive listing is crucial to get retail support for subsequent REIT IPOs," said an ECM banker on the IPO. "It's a pity that this technical glitch happened."

Shares closed at Ps24.90 on Thursday against the Ps27 issue price, underperforming the benchmark Philippine Stock Exchange

index, which rose 1.7%. After initially rebounding as much as 11% in early trade, the stock fell further to Ps24.10 on Friday.

While obtaining the necessary licence is expected to be a formality, the Covid-19 pandemic has complicated the process.

"It's hard to complete the paperwork when not all the staff is in the office," a Philippines-based ECM banker said. "However, there is going to be no massive delay."

AREIT raised Ps12bn (US\$250m) from the IPO at a yield of 5.9%.

AREIT's portfolio comprises three commercial buildings in Makati city, Manila's central business district. It also intends to purchase an office building in Cebu.

The Philippines first published REIT regulations in 2009 but cumbersome restrictions prevented any public offering until now. AREIT filed its draft prospectus

with the Securities and Exchange Commission on February 7 after regulators eased tax and ownership rules in an effort to encourage REIT listings by property developers.

BPI Capital, *UBS*, *PNB Capital* and *SB Capital* were the banks on the AREIT IPO.

AREIT's performance will be watched closely by DoubleDragon Properties, which is planning an up to Ps17bn REIT IPO in October in a 5.5%–6.5% yield range. **DD MERIDIAN PARK REIT** will comprise seven buildings with a total area of 248,349 square metres in Metro Manila and an estimated asset value of Ps51bn.

CIMB, *Credit Suisse*, *DBS*, *Maybank Kim Eng*, *Macquarie*, *Nomura*, *Asia United Bank*, *PNB Capital* and *Rizal Commercial Banking Corp* are on the IPO.

Anuradha Subramanyan

ASIA-PACIFIC

AUSTRALIA

SYDNEY AIRPORT EXTENDS RUNWAY

SYDNEY AIRPORT HOLDINGS has completed the institutional portion of a A\$2bn (US\$1.4bn) entitlement offer, after it reported a half-year loss due to the impact of the Covid-19 pandemic and related travel restrictions.

It raised A\$1.3bn from the issue of 287m new shares at A\$4.56 each, or a 15.4% discount to the pre-deal close of A\$5.39.

There was a 93% take-up rate and the institutional shortfall bookbuild was supported by existing and new institutional investors. The shortfall was cleared at A\$5.30 per share, A\$0.74 above the offer price.

The 1-for-5.15 rights offer comprises 438.8m shares. The A\$700m retail portion will run from August 18–20.

Proceeds will be used for debt and general corporate purposes.

Following the equity raising, Sydney Airport's pro forma net debt as at June 30 will decline from A\$9.1bn to A\$7.1bn and its net debt to 2019 Ebitda from 6.8x to 5.3x.

Combined with cash on hand and undrawn debt facilities, the entitlement offer will provide pro forma adjusted liquidity of A\$4.6bn.

UBS is the sole lead manager.

Sydney Airport Holdings posted total revenue of A\$511m for the half year, a decrease of 35.9% compared to the same period last year, and a net loss of A\$53.6m. Passenger volumes declined 56.6% to 9.4 million.

Its credit rating stands at BBB+/Baa1 (S&P/Moody's) with a negative outlook.

FINEOS COMPLETES A\$85m PLACEMENT

FINEOS CORPORATION HOLDINGS has completed an A\$85m (US\$61m) institutional placement to acquire US software-as-a-service provider Limelight Health.

It issued 20m new shares, or 7% of outstanding, at A\$4.26 each, or a 7.2% discount to the pre-deal close of A\$4.59 on August 10.

The deal received strong interest from both existing institutional shareholders and new investors.

Fineos is also raising up to A\$5m through a share purchase plan.

The Ireland-incorporated, ASX-listed provider of enterprise software to life, accident and health insurers is acquiring Limelight Health for US\$75m. The acquisition is expected to be completed in August.

Macquarie and Moelis are the underwriters.

CHINA

EVERGRANDE UNIT RAISES PRE-IPO FUNDS

The property management services unit of **CHINA EVERGRANDE GROUP** has raised HK\$23.5bn (US\$3bn) from a pre-IPO investment which values it around US\$10.8bn.

Chan Hoi-wan, executive director of Hong Kong-listed Chinese Estates Holdings and wife of Joseph Lau Luen-hung, led the investment with the purchase of a 5.4% stake in the company for HK\$4.5bn.

Huatai International Greater Bay Area Investment and Sequoia Capital bought 4.8% and 4.1% stakes respectively. The other 11 investors include Tencent Holdings and the family of Cheng Kar-shun.

The investment will enhance the corporate profile and support the growth and development of the property management business, according to an announcement from Evergrande.

The property management unit posted a profit after tax of Rmb923m (US\$133m) for 2019, up almost four times from Rmb233m in 2018, according to the announcement.

IFR reported at end-July that Evergrande is planning to list its property management services unit in a Hong Kong IPO which could raise about US\$1bn–\$2bn. The deal is expected to come late this year or early next year.

Huatai Financial, UBS, ABC International, CCB International, CLSA and Haitong International are leading the transaction.

CSRC TO REVIEW FIRST STAR-TO-HK IPO

The China Securities Regulatory Commission has agreed to review a H-share listing application from **BIO-THERA SOLUTIONS**, the first H-share plan from a company listed on the Star market.

The drugs and biosimilars producer, which was the second pre-revenue company

ASIA-PACIFIC EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Morgan Stanley	67	16,102.82	8.6
2	Goldman Sachs	60	11,943.73	6.4
3	CICC	57	10,770.00	5.7
4	Citic	50	9,854.01	5.3
5	JP Morgan	43	9,226.48	4.9
6	UBS	57	9,128.68	4.9
7	China Secs	33	9,118.63	4.9
8	Citigroup	41	6,747.77	3.6
9	Credit Suisse	37	6,684.21	3.6
10	HSBC	28	5,370.22	2.9
	Total	1,543	187,489.09	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4a1

to list on the Shanghai bourse, plans to offer 73m–138m H-shares, or 15%–25% of the enlarged capital. There is a 15% greenshoe.

Based on the close of Rmb54.81 (HK\$61.12) on August 11, it may raise HK\$4.5bn–\$8.4bn (US\$581m–\$1.08bn) from the H-share listing.

Bio-Thera Solutions raised Rmb1.97bn (US\$283m) from a Shanghai Star IPO in February. CICC was the sponsor and bookrunner with GF Securities and Morgan Stanley Huaxin Securities.

Its 2019 net loss widened to Rmb1.02bn from Rmb533m for 2018. The net loss in Q1 2020 was Rmb105m.

Its shares have risen 67% from the A-share issue price of Rmb32.76.

Ernst & Young has been hired as the auditor for the H-share IPO.

DAWNING INFO FOLLOW-ON PASSES HEARING

Shanghai-listed **DAWNING INFORMATION INDUSTRY**'s proposed Rmb4.78bn (US\$688m) A-share placement has cleared a hearing at the China Securities Regulatory Commission.

The company will sell up to 186m shares, or 20% of current shares, to up to 35 investors, with an individual limit of 48m shares.

Proceeds will be used to produce PC products for import substitution purposes, specifically chips, input/output modules and built-in active control firmware, and to replenish working capital.

The follow-on still needs final written approval from the CSRC.

Citic Securities is the sponsor.

ONECONNECT FINANCIAL PRICES FOLLOW-ON

Ping An Insurance's **ONECONNECT FINANCIAL TECHNOLOGY** has raised US\$324m from a follow-on offering of primary shares.

ASIA-PACIFIC EQUITIES (EX-JAPAN)

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Morgan Stanley	62	15,809.03	8.8
2	CICC	57	10,770.00	6.0
3	Goldman Sachs	58	10,412.13	5.8
4	Citic	50	9,854.01	5.5
5	JP Morgan	43	9,226.48	5.1
6	UBS	57	9,128.68	5.1
7	China Secs	33	9,118.63	5.1
8	Citigroup	39	6,619.85	3.7
9	HSBC	28	5,370.22	3.0
10	Credit Suisse	35	5,180.87	2.9
	Total	1,458	179,872.50	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4a2

ICICI wins global support

■ INDIA Lender raises Rs150bn in record-equalling institutional placement

ICICI BANK took advantage of a recent surge in demand from foreign investors to raise Rs150bn (US\$2bn) from a qualified institutional placement, equalling India's largest such offering on record.

The offering follows a spate of large share sales from Indian banks that have also attracted a significant bid from foreign buyers. Earlier this month, **AXIS BANK** and **HOUSING DEVELOPMENT FINANCE CORP** raised Rs100bn and Rs140bn in primary capital, respectively, while the controlling shareholder of **BANDHAN BANK** sold shares worth Rs106bn in an overnight block.

"The financial sector valuations are attractive and risk-reward balanced," said Mrinal Parekh, head of South-East Asia and India ECM at BNP Paribas, a bookrunner on the Axis, HDFC and ICICI Bank deals. "Despite the ongoing Covid-linked uncertainties, there is a fair amount of faith in the managements of these institutions, which have been around for decades."

Foreign investors bought three quarters of ICICI Bank's offering, which tied State Bank of India's 2017 record for the country's largest QIP. These international investors were allocated two-thirds of the three bank deals that priced last week.

ICICI Bank's deal priced on Tuesday at the top of the Rs355–Rs358 marketed range. It was covered 3.5 times with 125 investors participating. The top 10 accounts were allocated 60% of the shares.

MORE INVESTORS ON BOARD

Indian financial institutions are benefitting from the global liquidity surge as a result of interest rate cuts. Bankers said the increased use of online investor meetings during the pandemic has enabled them to meet more clients in less time.

"Non-deal roadshows which would have normally taken weeks are now completed in days thanks to webinars," a Mumbai-based ECM banker said.

ICICI Bank benefited from the fact this was the first time in more than a decade that it has raised capital through a primary share sale, as well as from its declining bad loan ratio. ICICI's net non-performing asset ratio decreased to 1.23% in the quarter that ended on June 30 2020 from 1.41% three months earlier.

"Investors are happy with the management's transparency and the way it has handled the bad loan problem," the banker said. "There was also a novelty element which attracted investors."

ICICI Bank last sold primary shares in 2007, when it raised Rs200bn. But it has been selling stakes in subsidiaries ICICI Prudential Life Insurance, ICICI Lombard General Insurance and ICICI Securities since 2016. Proceeds from the latest deal will be used to strengthen its balance sheet.

Bankers expect the Indian QIP party to continue and forecast issuance of at least US\$2bn during the rest of the year. Mall developer **PHOENIX MILLS** is targeting an up to Rs10bn QIP this week, while **INDIABULLS HOUSING FINANCE** and **INTERGLOBE AVIATION** are planning US\$300m and US\$500m respective share sales sometime this year.

ICICI sold 419m shares, equal to a 6.47% stake. The final price represents a discount of 1.5% to the pre-deal close of Rs363.55. ICICI Bank shares were above the QIP price at Rs368.05 on Friday.

Like HDFC, ICICI Bank opted for a large syndicate for its share placement. The 18 banks on the deal were Axis, Bank of America, BNP Paribas, Citigroup, Edelweiss, Goldman Sachs, HDFC, ICICI Securities, IIFL, JP Morgan, Jefferies, JM Financial, Kotak Mahindra, Nomura, Motilal Oswal, Morgan Stanley, SBI Capital Markets and Yes Securities.

Anuradha Subramanyan

The company, which provides technology services to small and medium-sized financial institutions, sold 18m American depositary shares at US\$18, representing a 1.9% discount to last Wednesday's close of US\$18.35.

The deal was upsized from 16.4m ADSs at launch. There is a 15% greenshoe.

OneConnect raised US\$347m from a NYSE IPO in December last year at US\$10 per share.

Goldman Sachs, Morgan Stanley and China PA Securities are the bookrunners.

The company plans to use the proceeds to enhance its platform and technology capabilities, fund international expansion and strategic investments, and for general corporate purposes.

▶ LUFAX FILES FOR IPO

Chinese online wealth management company **LUFAX** has filed confidentially for a US IPO which could raise around US\$2bn–\$3bn, according to people familiar with the situation.

The fintech unit of Ping An Insurance Group is planning to wrap up the listing this year, said the people.

Lufax, which had planned to list in Hong Kong in 2018, is working with *Bank of America*, *Goldman Sachs*, *HSBC* and *UBS* on the planned float.

Lufax declined to comment.

Lufax was valued at about US\$38bn in its previous fundraising round in 2018.

Since calling off the Hong Kong listing in 2018, Lufax has exited its peer-to-peer lending business and transformed itself into a wealth management and retail lending company.

Lufax's customer assets under management increased by 2.3% between January 1 and March 31 of this year to Rmb354bn (US\$50bn). Over the same period outstanding retail loans rose by 9.5% to Rmb506bn.

▶ EDUCATION COMPANIES BUILD WAR CHEST

CHINA EDUCATION GROUP has raised HK\$2bn (US\$260m) from an upsized new share placement.

The deal was increased to 130m primary shares from a base size of 105m after an upsize option of 25m shares was fully exercised.

The shares, representing 6.05% of the enlarged share capital, were sold at HK\$15.50 each compared to the HK\$15.45–\$15.95 range.

The price represents a discount of 7.7% to last Monday's close of HK\$16.80.

There is a 90-day lock-up on the issuer.

UBS was the sole bookrunner.

The company plans to use the proceeds for acquisitions, expansion and the development of existing and new campuses.

Meanwhile, **WISDOM EDUCATION** has raised HK\$551m (US\$71m) from an upsized share placement.

The Chinese K-12 education services provider sold 130m primary shares, up from 115m at launch, at the bottom of the indicative price range of HK\$4.24–\$4.46 each, representing a discount of 9.8% to last Monday's close of HK\$4.70.

The books were multiple times covered with about 30 investors participating. Demand came mainly from hedge funds but there was also participation from long-only funds.

The shares sold represent about 6% of the enlarged share capital.

There is a 90-day lock-up on the issuer.

Citigroup was the sole bookrunner.

The company plans to use the proceeds for new schools in the PRC and as general working capital.

» NONGFU SPRING PRE-MARKETS IPO

NONGFU SPRING is planning to start pre-marketing on Monday for a Hong Kong IPO of about US\$1bn, according to people close to the deal.

The company, one of China's biggest bottled water and beverage companies, plans to offer up to 1.38bn shares in the float.

CICC and Morgan Stanley are the joint sponsors.

It posted a net profit of Rmb4.95bn (US\$639m) for 2019, up 37% from 2018.

» XPENG DRIVES AHEAD

Chinese electric vehicle manufacturer **XPENG** has started pre-marketing a NYSE IPO which could raise at least US\$700m, according to people close to the deal.

The deal comes after fellow Chinese EV maker Li Auto raised US\$1.09bn from a Nasdaq IPO last month.

Credit Suisse, JP Morgan and Bank of America are joint bookrunners on the XPeng float.

Just ahead of the IPO filing on August 7, XPeng on August 6 wrapped up a US\$900m pre-IPO financing from investors including Xiaomi, Hillhouse Capital, Sequoia Capital, Qatar Investment Authority, Alibaba Group and Abu Dhabi state fund Mubadala Investment.

The round is said to have valued the company at nearly US\$4bn.

For the first half of 2020, Xpeng posted a loss of Rmb796m (US\$114m) compared to a loss of Rmb1.9bn in the first half of 2019. It lost Rmb4.6bn for the whole of 2019.

Founded in 2014, the Guangzhou-based company delivered its first Xpeng G3 vehicle to customers in December 2018 and launched a second model in April this year.

» HUAZHU MOVES CLOSER

Nasdaq-listed **HUAZHU GROUP** aims to sell shares in Hong Kong in a secondary listing of up to US\$1bn as early as September, according to people with knowledge of the matter.

The Chinese hotel chain operator has filed confidentially for the Hong Kong float with CMB International and Goldman Sachs leading the transaction, said the people.

The company is expected to seek listing approval as early as this month.

The company has been hurt by the coronavirus crisis and said in July it expected to record a 32%-34% drop in net revenues for the second quarter of 2020.

Huazhu, formerly called China Lodging Group, operates, manages and franchises more than 5,800 hotels under multiple brands, according to March 31 data.

» VIPSHOP WEIGHS HK LISTING

NYSE-listed **VIPSHOP** is considering a potential secondary listing in Hong Kong, joining the queue of US-listed Chinese companies seeking to list closer to home amid rising US-China tensions.

The Chinese online discount retailer is in early discussion with financial advisers for a possible share sale in Hong Kong, said people familiar with the matters, adding that no decision has yet been made.

One of the people said the deal could happen as early as this year.

As of last Wednesday, shares in Vipshop are up 62% this year at US\$22.94, valuing it at US\$15bn.

Vipshop did not reply to requests for comment.

» LIVZON PHARMA TO SPIN OFF UNIT

Hong Kong and Shenzhen-listed **LIVZON PHARMACEUTICAL GROUP** plans to spin off **ZHUHAI LIVZON DIAGNOSTICS** on an A-share market.

Livzon Diagnostics, in which Livzon Pharmaceutical holds a 39.43% stake, produces diagnostic reagents and equipment.

It posted a net profit attributable to shareholders of Rmb105m (US\$21.5m) in 2019.

The proposal still needs approval from shareholders and regulators.

INDIA

» INTERGLOBE PLANS UP TO RS40bn QIP

INTERGLOBE AVIATION plans to raise up to Rs40bn (US\$535m) through a qualified institutional placement, according to a stock exchange announcement.

The owner of IndiGo, India's largest airline, is raising the funds to strengthen its balance sheet as the Covid-19 pandemic and the nationwide lockdown since March 25 have severely affected business.

InterGlobe reported a net loss of Rs28bn in the quarter to June 30 compared with a loss of Rs8.71bn in the March quarter.

Globally airlines are raising capital through steeply discounted rights issues and it remains to be seen the discount at which InterGlobe will sell its shares. In a QIP a discount of up to only 5% can be offered to the floor price.

InterGlobe raised Rs30bn in its 2015 IPO, priced at Rs765 per share.

» MAHINDRA FINANCE RIGHTS RAISE RS31bn

MAHINDRA & MAHINDRA FINANCIAL SERVICES has raised Rs31bn (US\$415m) from a rights offer that was subscribed 1.34 times.

The deal, which closed on August 11, comprised 617.8m shares offered at Rs50 each in a 1-for-1 entitlement ratio.

The issue price was at a 76% discount to the pre-deal close of Rs207.90. Mahindra Finance closed Tuesday at Rs132.15.

Axis, BNP Paribas, HDFC Securities, HSBC, ICICI Securities, Kotak, Nomura and SBI Capital Markets are the banks on the transaction.

The company is raising capital to strengthen its balance sheet as the Covid-19 pandemic is likely to increase loan defaults by customers.

JAPAN

» BAIN CAPITAL EXITS YUKIGUNI MAITAKE

US private equity firm Bain Capital plans to divest its entire 51% stake in Japanese mushroom producer **YUKIGUNI MAITAKE** in an IPO of up to ¥41bn (US\$385m).

The offer of 17.7m secondary shares is being marketed at an indicative price of ¥2,330 each and there is an overallotment option of 2.6m shares.

Bain Capital acquired Yukiguni Maitake in 2015 for around ¥9.5bn and delisted the business. It sold 49% of the company to domestic food company Shinmei two years later in an undisclosed amount.

Shimeji will buy 436,500 additional shares in the IPO, representing 2.5% of the deal. About 77.5% of the deal will be allocated to retail buyers and 20% to institutional investors.

Founded in 1983, Yukiguni Maitake produces and markets mushrooms and processed foods in Japan.

Bookbuilding will run from September 2 to September 7. The deal will price on September 9 and the shares will be listed on the TSE on September 17.

SMBC Nikko and Daiwa are the joint lead managers and bookrunners.

» MITSUBISHI REIT PLANS FOLLOW-ON

MITSUBISHI ESTATE LOGISTICS REIT INVESTMENT is planning to raise up to ¥18bn (US\$168m) from a follow-on offering of primary units, based on a minimum 3% discount to Thursday's close of ¥458,000.

It is issuing 40,500 units at an indicative discount of 3%-5% to the market close on the pricing day, after deducting a ¥5,947 expected dividend for the period ending August 31.

There is an overallotment option of 2,000 primary units.

About 30% of the deal will be earmarked for international investors, while domestic institutional buyers will get 30% and retail buyers 40%.

The books will open on August 17 and close on August 21. The deal will be priced between August 24 and August 26.

SMBC Nikko, Mitsubishi UFJ Morgan Stanley and Daiwa are the joint bookrunners and lead managers.

EUROPE/MIDDLE EAST/AFRICA

FINLAND

SHAREHOLDERS SHED 22.36% OF MUSTI GROUP

Two shareholders in pet care company **MUSTI GROUP** sold 22.36% of the company in an upsized ABB last Monday evening, raising a total of €118.5m.

Nordic private equity house EQT slashed its stake from 24.1% to 5.6% by selling 6.2m shares. Smaller stakeholder Vaaka Partners sold its entire 4% stake to make a clean exit.

Carnegie and *Nordea* ran the sell-down.

A total of 7.5m shares were sold at €15.80, coming at a 6.5% discount to last Wednesday's close of €16.90 per share. The initial target was a sale of 6m shares.

The 25% upsize came on the back of a large international order placed during the bookbuild.

A wall-crossing exercise ran for a day and a half before launch, and the deal was covered from indications. The 100-line book included local Finnish investors and international names, and both existing and new names.

Less than 30% of demand came from hedge funds, potentially due to the heavy volume of the share sale which represented more than 200 days' trading. Hedge funds were allocated about 15% of the book.

EQT is locked up on its remaining shares until November 12 or until Musti publishes its next interim report.

It is the first major sell-down in Musti since the pet care company's €182m Helsinki float earlier this year on February 13.

Carnegie, *Jefferies* and *Nordea* were bookrunners on the IPO that priced at €8.75 per share.

FRANCE

SUBSCRIPTION BEGINS FOR TECHNICOLOR RIGHTS ISSUE

Shares in **TECHNICOLOR** have picked up since the French video specialist launched its €330m rights issue, but as subscription began last Tuesday the shares were still trading below issue price.

On Friday afternoon, Technicolor shares were about €2.6345 each, so they need to rise by 13% to reach the issue price of €2.98.

This means the deal is likely to go to the company's lenders that are underwriting the 43-for-6 transaction. Lenders are also lined up to swap debt for equity in a subsequent €330m capital increase, which will be priced at €3.58 per share.

Some take-up is guaranteed thanks to Bpifrance taking up all the rights attached to its 7.58% stake. There is also a long subscription window that runs all the way to September 11, giving the possibility that shares may climb above the issue price.

Credit Suisse and *Natixis* are bookrunners but the deal is underwritten by Technicolor's lenders.

GERMANY

SHAREHOLDER SHEDS 2% OF EVOTEC

A club deal saw 2% of German biotech **EVOTEC** sold, with an undisclosed seller cashing around €64.86m.

Given the small size of the deal, which equated to about 2-3 days of trading volume, the deal targeted a select group of investors brought in through a wall-crossing on Thursday.

Pricing and allocations were reconfirmed with investors after market close, then pricing of €21.62 on the 3m shares was announced shortly after.

Deutsche Bank notified the market of the largely unexpected trade after it had completed.

Pricing represented a 4% discount to Thursday's close of €22.52.

Shares in Evotec were lower last Friday following the trade. By 3pm in London they were hovering around €21.74 each; 3.5% down.

GREECE

TERNA ENERGY PLANS €50m CAPITAL INCREASE

Renewable energy company **TERNA ENERGY** has its sights set on a €50m capital increase

to fund new investments and the development of three wind farms.

An EGM is set for September 1 for shareholders to vote on the proposed capital increase which will not include pre-emption rights.

The raise would consist of around 4.6m new shares to be placed at a minimum price of €11 each.

As outlined, the deal represents about 4% of the company's share capital. However, Terna is planning to cancel around 4.3m treasury shares, largely offsetting dilution.

Pricing at the minimum would be an 8.3% discount to Monday's close of €12. Terna's share price is currently trading around all-time highs after peaking on August 10 at €12.40.

Shares fell last Tuesday on the back of the news, and were around 2.7% down by 3pm in London at €11.68.

They dipped to as low as €11.34 on Wednesday, but recovered towards the end of the week.

The company last tapped investors in January 2018 when it raised €41.3m through an ABB managed by Axia Ventures, Euroxx Securities, and LXM Group.

Terna's largest shareholder is Greek conglomerate GEK Terna.

SOUTH AFRICA

FTG FINDS PLENTY OF DEMAND FOR R3.95bn RIGHTS ISSUE

THE FOSCHINI GROUP secured 98.3% take-up on its R3.95bn (US\$226.5m) rights issue to see it through the pandemic.

The remaining 1.62m shares were covered by excess subscription totalling 122.8m shares.

The clothing retailer's rights issue was fully underwritten by *Absa Bank*, *Rand Merchant Bank* and *Standard Bank*.

Subscription wrapped up on August 7. A 14.5% portion of the deal was guaranteed by irrevocable undertakings to subscribe from shareholders.

The capital raise represented 32.8% of TFG's pre-money share capital, with 94.27m new shares offered on a 40-for-100 basis at R41.90, a 32.8% discount to TERP based on the 30-day VWAP.

Shares in the company closed last Tuesday at R74.05, 2% up, and by last Friday at around 2pm in London they were mostly flat at R74.06 each.

Proceeds from the rights issue will go towards paying off debt during what is expected to be a sustained period of economic uncertainty due to the pandemic.

In Africa, around four-fifths of TFG's stores reopened from May 1, with the rest

since June 1. All Australian stores were open by the end of May and in London outlets have been reopening in a phased approach since June 15.

The fresh cash will also be invested in e-commerce.

SPAIN

CELLNEX RIGHTS ISSUE ATTRACTS DEMAND OF €185bn

CELLNEX TELECOM's €4bn rights issue attracted total demand more than 46 times its target as investors piled in orders in the hope of landing a slice of any unsubscribed stock.

The Spanish mobile mast operator secured 99.45% take-up on the capital increase, with a total book of more than €185bn.

Subscription wrapped up on August 8 and a result was published last Thursday afternoon.

A total of 100.8m shares were subscribed, with the offering consisting of 101.4m new shares offered on a 5-for-19 basis at €39.45.

Some shareholders, including ADIA, GIC, CPPIB and Permian Investment Partners, along with directors and management had committed to 18.8% of the deal upfront but nearly all shareholders also exercised all of their rights.

A €2.5bn rights issue last October secured a very similar 99.53% take-up and total demand of €100bn.

Additional subscription on this occasion was for a whopping 4.6bn shares, so those investors will be massively scaled back and will receive only 0.01% of their orders.

Cellnex is raising cash for acquisitions, with a pipeline of opportunities valued at €11bn.

Cellnex completed two rights issues in 2019, raising €1.2bn and €2.5bn each, which were the largest European rights issues of that year.

BNP Paribas, Goldman Sachs, JP Morgan and Morgan Stanley were joint global coordinators. BBVA, CaixaBank, Deutsche Bank, HSBC, Intesa, Mediobanca, Sabadell, Santander, Societe Generale, and UniCredit were joint bookrunners.

SWEDEN

SANIONA RAISES US\$65m IN RARE CLUB DEAL

Biotech SANIONA raised US\$65m (approximately SKr570m) through a privately negotiated deal that dilutes existing shareholders by half.

The fundraising came at a 45% discount in order to add major US and Swedish

institutions to the shareholder register of the rare diseases specialist and raise substantial funds ahead of two pivotal clinical trials over the next 12 months.

The large club deal was possible as shareholders handed the board the power to issue shares with or without pre-emption at the AGM in May. Directed share issues are usually limited to 20% of a company's share capital.

A banker involved in the deal described the transaction as rare given the large proportion of its market cap.

Other bankers not involved in the deal echoed this, describing the high dilution and heavy discount of 45% to VWAP from the past 45 days as unusual.

Saniona said in a statement that the reason for deviating from shareholders' preferential rights was to diversify the shareholder base with strong institutional holders and sector specialists and enable the capital raise in a timely and cost-efficient manner.

Prior to the placing, the shareholder base was over 6,000 strong and several of the top shareholders were individuals.

"It's a company that went from having zero institutional ownership to having three of the top 10 life science investors in the world and three government pension funds on its register," a banker involved in the deal said. "It's now fundamentally a completely different investment proposition."

A few select investors were invited to participate in the offering, after reverse enquiry poured in for new shares.

A total of around 30.7m shares were sold at US\$2.12 each (SKr18.50), coming at a wide 45% discount to the VWAP for the 45 days up to and including August 7.

The substantial 45% discount can be attributed to the lengthy negotiations by specialist investors who spent a long time assessing the company leading up to the deal, as well as a weakened dollar exchange rate.

While pricing was about half Friday's SKr36.90 close, shares were trading at SKr25.50 a month ago. Shares gained over 55% over the next two weeks, on no significant news.

Last Monday's deal news saw shares fall by up to 20% intraday but by the close shares were down just 5% at SKr35.05; a modest drop considering the deal's scale and pricing.

By last Friday at midday, Saniona shares had risen to around SKr40.60 each.

The fundraising was led by US healthcare and life science investor RA Capital Management, with participation from Pontifax Venture Capital and New Leaf Venture as well as other US and international healthcare investors.

Three major Swedish national pension funds AP2, AP3 and AP4 also participated.

A banker away from the deal said it was likely to be a one-off, company-specific transaction. Another banker not involved said it was a structure more typically seen in distressed situations.

ABG Sundal Collier and Oppenheimer were joint bookrunners.

Saniona is a clinical-stage biopharma company focused on rare diseases. The directed share issue was aimed at raising cash to fund the commercialisation of two treatments for rare eating disorders. The company described the next phase of clinical trials for treatment of hypothalamic obesity and Prader-Willi Syndrome as "pivotal" recently.

Saniona has in the last couple of months released top-line data from phase II trials for hypothalamic obesity treatment and a positive update on dialogue with the US FDA on the PWS treatment.

UK

CRANEWARE SCRAPS ABB AS ACQUISITION FALLS THROUGH

Edinburgh-based healthcare software developer CRANEWARE launched but then promptly scrapped an ABB on Monday evening after its acquisition target set terms with another vying buyer.

Allocations for the placing were finalised by the leads and company once the book closed at 9pm but were never disclosed. At 7am the next day, a statement was put out revealing the decision not to proceed with the placing.

Craneware received news from the US that it had missed out on its target, meaning it could not satisfy all conditions in the placing agreement.

Peel Hunt, Investec and Berenberg ran the bookbuild, which generated £3m more than

EMEA EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Goldman Sachs	47	8,896.62	9.9
2	Morgan Stanley	34	7,943.21	8.9
3	Citigroup	40	7,784.84	8.7
4	JP Morgan	56	7,630.91	8.5
5	Bank of America	34	6,412.16	7.1
6	Credit Suisse	29	6,353.74	7.1
7	Barclays	34	4,064.64	4.5
8	UBS	19	3,154.65	3.5
9	Jefferies	31	2,568.07	2.9
10	BNP Paribas	25	2,328.75	2.6
	Total	632	89,750.03	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4cr

the initial target of £80m. Both new and existing shareholders placed orders.

A wall-cross which began last week led to the book being covered by indications at launch.

The shares were priced at £15.50, an 8.8% discount to last Monday's close of £17. The capital raise represented 20% of Craneware's share capital.

Shares in the company were up 1.5% last Tuesday despite the unusual turn of events.

Craneware, which develops computer software for the US healthcare industry, had said it would use the proceeds to take advantage of a small number of acquisition opportunities.

This included one in particular where Craneware said the placing was an important step leading to potential exclusivity and the due diligence stage of that particular acquisition.

▶ TUI MULLS RIGHTS ISSUE TO PAY DOWN DEBT

Travel group **TUI** is mulling a rights issue and the sale of parts of the business to pay down debt taken on to weather the coronavirus pandemic.

When pressed on whether the group is considering a rights issue and divestments, TUI chief executive Fritz Jousen said: "That's what it is, exactly."

Jousen said sales would not be distressed or forced.

TUI has lost around two-thirds of its value since the start of 2020 when the company had a market capitalisation of around €6.84bn. As of last Thursday morning it was down to about €2.24bn, with the firm's shares closing the day 6.2% down at €3.818 each.

TUI shares plunged further on Friday morning after news of new quarantine measures for Brits returning home from France, and were down 5.2% more by midday.

The company will get a €1.05bn loan from development bank KfW, plus €150m from a six-year 9.5% convertible bond issued to German stabilisation fund WSF. It follows the agreement of a €1.8bn facility by the government in April and gives the company available facilities of €2.4bn.

Both KfW loans are treated as extensions to an existing €1.75bn revolving credit facility. The RCF matures in July 2022. Lenders include Citigroup, UniCredit, Bank of America, Bank of China, Barclays, Commerzbank, Credit Agricole, DNB Bank, HSBC, ING, Lloyds, Natixis and Societe Generale.

TUI has been badly hit by the pandemic. It booked a loss of €1.1bn in the three months to June 30 after the virus halted travel, wiping out revenue and straining its balance sheet as it burned through about €550m to €650m a month.

TUI said it will continue to look at its balance sheet. It previously launched a 30%

cost-saving programme, and is hoping to cut €300m per year. The company expects to break even by the third quarter, and is striving to be profitable next year.

▶ PRUDENTIAL TO SPIN-OFF AND LIST US BUSINESS IN 2021

Insurer **PRUDENTIAL** will spin off its US business **JACKSON** through a listing in New York that it is planning in the first half of next year.

Its shares jumped 3% on the news on Tuesday morning, that came alongside half-year results.

The insurer said subsequent sell-downs over time would eventually see it fully divest the business, allowing it to hone in exclusively on high-growth Asian and African markets.

Prudential demerged its UK business, spinning off and listing M&G in London in October 2019 by distributing stock to Pru shareholders, but is opting for a different strategy with Jackson.

However, the company said that if market conditions were not conducive to an IPO in the US – hard to imagine right now – then it could instead do another demerger.

Prudential currently has primary listings in the UK and Hong Kong, and secondary listings in Singapore and the US.

Jackson is expected to have a risk-based capital ratio of 425%–475% at the point of listing, including the proceeds of any primary stock issued at the IPO. The level at the end of the second quarter was estimated to be above 400%.

Jackson is due to issue bonds as a separate entity ahead of any IPO.

Jefferies, giving Prudential a hold rating on Tuesday, said in a research note that a full divestment of Jackson would reduce the insurer's risk premium.

Prudential in the first half of 2020 recorded adjusted operating profit US\$2.54bn, down 3% on a year earlier. Adjusted operating profit at Jackson fell 19%, largely as a result of deferred acquisition costs. Profit fell 6% when those costs are excluded.

AMERICAS

UNITED STATES

▶ COMPANIES RUSH TO ECM AHEAD OF LATE AUGUST BREAK

The effective end of the second-quarter earnings season, a wide open funding

window, buoyant equity markets and a sense of urgency among issuers to complete deals before Labor Day promise another busy week ahead in US ECM.

The past week saw follow-on activity (US\$5.7bn of volume from 24 deals) and CB issuance (US\$4.2bn from seven deals) return with a vengeance to take some of the attention away from the IPO market (US\$3bn from four deals).

The week ahead calendar currently has only a pair of US\$100m biotech IPOs, Harmony Biosciences and Inhibrx, though they may be soon joined by another (Kymera Therapeutics) and perhaps a few others outside the biotech space.

Bankers expect another busy week for follow-ons before a possible slow-down in the two weeks prior to Labor Day, which falls later than normal (September 7) this year.

Still, amid what is already a busier than normal August, there remains considerable debate about whether issuers can in fact also bring deals in those two weeks given that Covid-19 is keeping most investors close to home.

Trends in follow-on issuance in the past week included some wide discounts, though to some extent in recognition of sharp recent gains in the share prices of many issuers (almost vertical in some cases).

The deal mix featured companies that have prospered during Covid-19 (e-commerce platforms such as Overstock.com and CarParts.com), as well as some wishing to lock in known funding needs before the potential onset of greater volatility ahead of November's US Presidential election (Essential Utilities).

Meanwhile, SPACs continue to represent a big portion of US ECM fees as new vehicles debut almost daily, and are likely to feature heavily in the coming week.

▶ NETSTREIT OFF TO ROCKY START

NETSTREIT, a net-lease owner of single-tenant retail properties, raised a less-than-expected US\$225m from its NYSE IPO, highlighting the challenges marketing anything retail-related during Covid-19.

Wells Fargo, Bank of America, Citigroup, Stifel and Jefferies priced 12.5m shares at US\$18.00, below the US\$19–\$21 range and down from 15.5m shares at launch.

NetSTREIT closed its debut session on Thursday at US\$17.75 or 1.4% below offer, though in a session that also saw the MSCI US REIT Index fall 1.6%.

The roadshow drummed up strong interest, but mainly from notoriously frugal dedicated REIT investors.

The IPO valued NetSTREIT at US\$490m, below both the value of its underlying real

Demand overflows for US\$405m Duck Creek IPO

■ US Latest SaaS story surges 55.6% on debut

DUCK CREEK TECHNOLOGIES followed much the same playbook as recent hot subscription software IPOs and delivered a similar outcome, raising better-than-expected proceeds of US\$405m before staging an impressive Nasdaq debut.

The Apax Partners/Accenture-backed insurance software provider resisted the temptation to upsize by selling 15m shares or just 11.5% of the company at US\$27, US\$2 above the top of a US\$23–\$25 marketing range that was already upped materially ahead of pricing from US\$19–\$21 at launch.

Goldman Sachs, JP Morgan, Bank of America, Barclays and RBC Capital Markets, the syndicate leads, fielded heavy oversubscription.

Debuting on Friday, the shares immediately soared to US\$42.00 for an opening gain of 55.6%.

The final terms attributed Duck Creek a market cap of US\$3.5bn, rising to US\$5.5bn at the opening trade or a hefty 27 times annualised 2020 revenues of about US\$200m.

Dragoneer Investment, Neuberger Berman and Insight Venture Management earlier

agreed to take US\$100m of shares or about one-quarter of the IPO, further tightening the supply of stock.

The same investors had bought stock in a US\$90m private offering of Duck Creek stock in November, one of several pre-IPO rounds that enabled Apax and Accenture to take some profits.

Though there was never much doubt Duck Creek would resonate with investors, the deal came with some nuances that made it relatively less attractive than recent runaway software deals like nCino (currently up about 170% from its IPO price) and BigCommerce (more than 200%) and perhaps more akin to the recent IPO of tax software firm Vertex (up about 30%).

Boston-based Duck Creek provides software to P&C insurers such as Progressive and Liberty Mutual.

Duck Creek witnessed 75.5% year-on-year growth in SaaS annual recurring revenue to US\$75.6m at May 31 and its SaaS net dollar retention rate was 113% in the latest nine-month period.

However, lower-margin professional services revenue (US\$70.8m) made up nearly half of total revenue in the same period.

This revenue mix is reflected in Duck Creek's gross margins of 56%, lower than the 70%–80% margins of the SaaS high-flyers.

Duck Creek's transition from traditional software to SaaS in recent years has held back its overall growth.

Total revenue growth was only 24.3% in the same period, pedestrian for the sector, though Duck Creek should be able to accelerate growth as it continues to transition to a subscription model.

Demand for Duck Creek stock was also helped by Roper Technologies' US\$5.35bn purchase during the week of PE-backed insurance software company Vertafore.

According to its roadshow, Duck Creek is also eyeing M&A opportunities to supplement growth, lest investors express any dissatisfaction with the organic growth outlook.

Anthony Hughes

estate (US\$421m at June 30) and the US\$18.66 per share valuation on an earlier US\$220m private round.

The decision to cut the size of the IPO was partly motivated by a desire to limit dilution to the private investors.

The high number of competing triple net lease REITs – National Retail Properties, Spirit Realty Capital, Store Capital – worked against NetSTREIT.

“NetSTREIT was expensive for its size,” according to a buy-side source who did not participate in the IPO. “There are larger REITs that provide similar exposure with better trading liquidity.”

A major selling point was that NetSTREIT's smaller size would allow it to grow faster.

NetSTREIT has a portfolio of 163 standalone properties leased to tenants like 7-Eleven, Walmart and CVS, retailers viewed as defensive in the current environment.

It hopes to add value by quickly deploying the proceeds towards acquisitions.

NetSTREIT has committed to purchase nine properties for US\$10.2m and has non-binding letters of intent in place to acquire another 44 for US\$132.4m. Another 75 properties worth US\$363.9m sit in its longer-term acquisition pipeline.

With a triple net lease REIT, the tenant is responsible for the maintenance and upkeep, limiting capex needs of the owner.

Yet NetSTREIT has not been entirely immune to Covid-19. Of its US\$34.5m annualised rent base, tenants representing 2.7% have sought rent concessions or deferrals.

After paying down borrowings on its revolver, NetSTREIT has US\$400m of cash for acquisitions. That may mean it has to return to ECM sooner than hoped.

► HARMONY TUNES UP FOR NASDAQ IPO

HARMONY BIOSCIENCES launched marketing of an up to US\$107m IPO that would provide funds to develop its FDA-approved narcolepsy drug.

Joint books *Goldman Sachs, Jefferies* and *Piper Sandler* are marketing 4.65m shares at US\$20–\$23 for pricing on August 18.

Harmony's drug WAKIX was approved a year ago as a treatment against excessive daytime sleepiness in adults with narcolepsy.

Harmony is planning clinical trials of WAKIX to expand the drug's label to include patients with cataplexy and paediatric narcolepsy.

After launching the drug commercially in November, Harmony reported a first-half net loss of US\$59m on US\$57m of revenue.

It funded WAKIX development and the commercial launch with US\$345m raised from private placements, including a US\$50m Series C round last August.

The IPO would see Harmony top up to US\$165m of cash, with another US\$200m available on a credit facility.

Harmony tapped the facility in January to repay a previous US\$120.8m loan from CRG, a private healthcare investor, but has since fully paid down borrowings.

Harmony markets WAKIX in the US under a licensing agreement with French biotech Bioprojet. It would owe another US\$102m of milestone payments if the drug were approved for cataplexy and paediatric narcolepsy.

There is plenty of competition within narcolepsy with FDA-approved treatments such as stimulants like Xyrem, Ritalin and Adderall.

Notably, WAKIX is not a stimulant nor is it derived from a controlled substance, providing a competitive advantage in treating narcolepsy in patients under the age of 19.

► INHIBRX SEEKS IPO LIFELINE

Cancer drug developer **INHIBRX** has launched an up to US\$107m IPO that will provide much-needed cash for clinical trials.

Jefferies, Evercore and *Credit Suisse* are marketing 6m shares at US\$16–\$18 for pricing on August 18.

Inhibrx needs a lifeline. It has just US\$15.6m of cash and four drugs in Phase I trials.

The company raised US\$15m from a private placement in April. Viking Global

Investors re-upped after leading a US\$40m crossover round last May.

The IPO proceeds would give Inhibrx about US\$108m of cash, another 12 months of runway for clinical trials.

That should be enough for Inhibrx to complete Phase I trials of three cancer drugs in its pipeline.

Clinical trials on another drug as a treatment against a rare breathing disorder are on hold because of Covid-19.

Inhibrx had filed for a US\$75m IPO last June with Evercore and Barclays as joint bookrunners.

That deal was never launched and was withdrawn in November. It spent US\$2.7m last year on the abandoned IPO.

» SCHRODINGER CLAWS IN US\$330m FROM FOLLOW-ON

After marketing this year's best-performing IPO on its fast-growing drug discovery software platform, **SCHRODINGER**'s wholly owned pipeline of innovative cancer drugs was the major selling point for an upsized US\$330m first follow-on offering.

Morgan Stanley, Bank of America, Jefferies and BMO placed 5m shares at US\$66 after putting in a two-day bookbuild behind 4.5m shares.

Was there ever any doubt that Schrodinger would return?

Schrodinger slipped 11.1% during the marketing period, a small concession for a company that went public at US\$17 a share in February.

Co-founder Dr Richard Friesner sold 500,000 shares on the offering.

Schrodinger cleared a path for the offering by reporting better than expected Q2 financial results, though a draft registration statement was filed on July 31.

It posted a net loss of US\$3.4m on US\$23.1m of revenue in Q2, solidly beating analysts Q2 revenue projections for US\$17.9m, according to Refinitiv data.

US EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Goldman Sachs	122	21,730.03	13.2
2	Morgan Stanley	111	21,718.53	13.2
3	JP Morgan	126	19,239.19	11.7
4	Bank of America	130	18,445.36	11.2
5	Citigroup	80	14,375.45	8.7
6	Barclays	66	10,899.37	6.6
7	Credit Suisse	52	6,894.20	4.2
8	Jefferies	80	4,800.54	2.9
9	Cowen	66	4,058.13	2.5
10	Evercore Partners	32	4,021.43	2.4
	Total	536	164,954.47	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C3r

Software sales increased 44% to US\$20.9m while drug discovery revenue plunged 52% to US\$2.2m from the corresponding period last year.

Those results reaffirmed that the software business is thriving while Schrodinger uses its software to create its own pipeline of wholly owned cancer drugs.

The latter part of the pitch is coming together faster than expected.

Schrodinger now expects two of its five cancer drugs to be ready for clinical trials in human patients by the end of next year, instead of 2022.

Jefferies analysts think Schrodinger's cancer drugs are worth US\$1.5bn, a significant component of the US\$5bn they think the business is worth.

"[Such a valuation] is possible in drug discovery if other competitors report strong cancer data in 2020-21, implying Schrodinger has potentially better molecules coming up right behind them," wrote Jefferies analysts in a note to clients.

» SPONSORS EXIT FLOOR & DECOR

One of a select group of non-grocery retailers set to emerge from the pandemic stronger than when it entered it, **FLOOR & DECOR** was always a strong candidate to execute yet another sponsor block sale in this ECM window.

With the flooring retailer's stock ticking a record high of US\$71.72 in late July just ahead of earnings and co-sponsor Freeman Spogli opting to distribute its remaining stake (3.2m shares) to limited partners last week, Ares Management disposed of its last 5.4m shares (5.2%) as the main seller in a US\$384m block trade late on Monday.

Morgan Stanley reoffered a total of 5.69m shares (including some selling by management) at US\$67.60, the bottom of the US\$67.60–\$67.90 marketing range and a modest discount to its prior close of US\$67.98. The stock traded a little soft in the aftermarket, easing to US\$66.14 in Tuesday's session.

It was Morgan Stanley's fourth straight block trade in the name.

Despite turmoil in the retail sector, the reoffer price was well above the US\$44.55 level at which the bank bought nearly 5m shares from Ares, Freeman Spogli and others in May in one of the first Covid-19 sponsor blocks.

On July 30, Floor & Decor revealed its comp store sales fell 20.8% in its fiscal second quarter (the three months ended June 25), but things had started to pick up in June.

It was able to tell investors that third-quarter-to-date comp store sales were up 16% year on year.

As with June's IPO of Ares-backed Azek, stay-at-home orders across the US have prompted many consumers to spend more on home improvement projects.

Even with the pandemic disruption, Floor & Decor still plans to expand its store base by 20% annually for the next several years.

The block sell-down marks the end of a textbook monetisation that included seven registered follow-ons from Floor & Decor (plus some unregistered deals) since its April 2017 IPO priced at US\$21 a share.

» ESSENTIAL LOOKS AHEAD WITH M&A FUNDING

ESSENTIAL UTILITIES locked in US\$310.9m of equity by pricing an overnight forward sale late on Monday.

Acting as both sole bookrunner and forward purchaser, RBC borrowed and reoffered 6.7m shares in the renamed former Aqua America at US\$46.40 each, the bottom of the US\$46.40–\$47.40 range and a 2.9% discount to last sale.

The water and gas utility can settle the forward with stock at any time in the next year to collect the proceeds, deferring dilution to its earnings per share from the issuance of 2.7% of outstanding until then.

The offering was well flagged, the utility reconfirming on its earnings call earlier this month that it planned to raise US\$300m of equity to appropriately capitalise acquisitions.

Asked about the possible timing on that call, CFO Daniel Schuller told analysts the utility wanted to get ahead of the closing of its US\$276.5m acquisition of the Delaware County Regional Water Quality Control Authority – DELCORA – which is still pending regulatory approval.

"If you look too far out here you start to see the election and who knows from an equity market perspective what happens around that," Schuller said.

Pitching itself as an ESG-friendly investment, Essential also raised US\$1.12bn of equity at US\$34.62 a share in April last year, part of the funding package for its US\$4.275bn acquisition of Pittsburgh-based gas distributor Peoples.

» MP CUTS FLAGSTAR STAKE AGAIN

Asset manager MatlinPatterson cut its stake in Troy, Michigan-based **FLAGSTAR BANCORP** early on Monday via a US\$180m pre-open block.

The block priced less than two weeks after the bank posted what it labelled the "best results in company history".

Morgan Stanley reoffered 6m Flagstar shares at US\$30.30, the bottom of the US\$30.30–\$30.60 marketing range and a

7.7% discount to Friday's US\$32.83 close. The stock finished Monday's session at US\$31.58.

The sale saw MP Thrift Investments, a vehicle of New York-based distressed specialist MatlinPatterson, reduce its stake to 25.6% from 36.2%.

Morgan Stanley also facilitated the sell-down of 6.1m Flagstar shares by MatlinPatterson at the higher price of US\$35.96 (net of the spread) in October last year, cutting the latter's stake to 38% from 48.8%.

MatlinPatterson also sold 8m Flagstar shares at US\$34.50 in mid-2018.

In late July, Flagstar posted second-quarter earnings of US\$2.03 a share, nearly double the year-ago period.

"All cylinders were firing in mortgage as we got a lift from a market that was supercharged and banking and servicing continued to provide stable and consistent earnings," said CEO Alessandro DiNello.

"It's important to note that we earned over US\$2.00 per share even while setting aside US\$100m for loan losses, which raised our credit reserves to US\$250m."

Though Flagstar shares are yet to regain their pre-Covid highs (US\$40.00 in October last year), they have rebounded 84% since the pandemic lows in March.

▶ PLUG POWER FUELS EXPANSION WITH EQUITY

For the second time this year, fuel-cell maker **PLUG POWER** plugged into the equity capital markets with a US\$314.4m all-primary raise overnight on Tuesday, a quick follow-up to the US\$200m five-year CB it sold in May.

Acting as sole books, *Morgan Stanley* had little trouble offloading its purchase of 30.675m shares at US\$10.25, the bottom of the US\$10.25–\$10.75 range and a 9.4% discount to yesterday's US\$11.31 close.

Plug Power closed Wednesday's session at US\$10.63 on volume of 64m shares, more than double the amount sold.

This is a stock that trades like water – the 90-day ADTV is 19.3m shares – and has its share of loyalists. Less credibly, the stock is a Robinhood customer favourite too, but investor interest is coming from industrial funds that view green as good for business.

"Across the whole industrial complex, it has become economic to buy greener," said one banker involved in the underwriting. "Obviously, this is a capital-intensive business, so it was good to get something done for them to shore up their funding."

Hood River Capital, a Portland, Oregon-based fund manager, scooped up 6.6m in the second quarter to increase its holdings to 13.5m shares (4.2% stake), making it Plug Power's third-largest shareholder behind

only BlackRock (6.6%) and Vanguard (4.7%) as of June 30, according to Refinitiv data.

DE Shaw and Germany's RobecoSAM, which added 5m and 4m shares, respectively, were other large buyers in the quarter.

The financing should come as no surprise.

Plug Power, which finished the second quarter with US\$383.3m of cash, in June closed on the acquisitions of United Hydrogen and Giner ELX, paying roughly US\$125m in total in a move that vertically integrates cell fuels and expands opportunities to other industries.

Of that US\$383.3m cash level, US\$230.8m is restricted for finance obligations.

At the time it closed the acquisitions, Plug Power hiked its 2024 targets to US\$250m of adjusted Ebitda and US\$1.2bn of revenue, up from US\$200m and US\$1bn previously.

That compares with the negative US\$47m and US\$320m analysts expect for 2020, according to Refinitiv data.

Notably, the five-year 3.75% CB Plug Power sold in May was the first-ever "green CB" sold in the US. The CB is convertible at share prices above US\$5.03, a 22.5% premium to its share price at the time.

For ECM diehards, Plug Power is a company whose unrealised potential dates to the early 2000s. Its shares fetched more than US\$1,000 in February 2000, so there's still a long way to go to recapture the glory days.

▶ SHUTTERSTOCK, UPLAND TAKE BIG DISCOUNTS

Recent sharp gains in the stock prices of tech companies **SHUTTERSTOCK** and **UPLAND SOFTWARE** proved somewhat illusory when both were hit hard while marketing follow-on sales across Tuesday's session.

Proving ECM can serve as a bracing test of lofty tech valuations, Shutterstock shares slumped 14.5% to US\$48.89, their biggest session decline in three years as joint books *Bank of America* and *Morgan Stanley* looked to sell US\$250m of stock, including US\$200m from the digital photo content platform's founder Jon Oringer.

Oringer ultimately responded to the sharp stock price fall by selling only 2.064m shares at US\$48.50 for US\$100m in proceeds, while the company raised only US\$25m (instead of US\$50m as planned) from the sale of 516,000 shares at the same price.

As a result, Oringer cut his stake to 38.8% from 45.1%. He is restricted from selling any more for 90 days.

The primary proceeds will boost Shutterstock's cash pile to about US\$334.5m.

Shutterstock shares had surged nearly 32% after it reported a second-quarter

earnings beat on July 28 that included record adjusted Ebitda of US\$37m and a 29% increase in subscribers to 223,000 (but a 2% revenue fall).

Management said on the earning calls the company was actively looking for assets to buy.

Meanwhile, Upland shares slumped 13% to US\$34.67 in the same session or back to levels they were trading at in late July before the Austin-based provider of customer experience management software delivered second-quarter results that beat expectations and a capital raise that helped send its stock as high as US\$45.00 on the previous Friday.

Upland still opted to sell 3.5m shares as planned at US\$34, a 14.7% file-to-offer discount, for proceeds of US\$119m. *Credit Suisse* led the offering.

Upland was looking to add to its US\$88m cash pile and give it more firepower to pursue M&A.

"It's very much driven by its acquisition strategy," one banker said. "They have almost been a public version of Vista Equity Partners."

Upland's last acquisition of note was February's US\$68m purchase of mobile app personalisation and analytics provider Localytics, adding US\$20m in annual revenues.

Upland came into the offering trading near its highest levels in a year, though pre-file levels were still below the US\$42.00 price at which the company raised US\$138.6m in May last year, on that occasion via a broader syndicate led by Credit Suisse, Jefferies, Canaccord Genuity and Needham.

Upland, which unlike many SaaS companies carries net debt (about US\$400m), expects to grow 2020 sales to US\$273.3m–\$281.3m, up 29% at the midpoint.

▶ STEWART EYES M&A AFTER FAILED SALE

Almost a year after regulators blocked its US\$1.2bn sale to Fidelity National Financial, title insurer **STEWART INFORMATION SERVICES** signalled its intent to make acquisitions of its own by raising US\$100m from a stock sale.

After a day of marketing, sole bookrunner *Goldman Sachs* priced the sale of 2.63m shares – or about 10% of the company – at US\$38, a 12.4% file-to-offer discount.

The shares held above that level in Thursday's aftermarket, closing at US\$40.48.

Stewart timed the launch of the deal just a day after its stock hit a 52-week high of US\$44.86, having doubled from the Covid-19 lows in March and now sitting at a significant premium to book value of US\$33 a share at June 30.

The company, which also has US\$300m of cash and investments on its balance sheet, disclosed in a filing alongside the offering it had “entered into several letters of intent”, adding that it was “in discussions with respect to several acquisitions”.

Last month’s second-quarter earnings call did not flag any pending acquisitions, though in May Stewart paid an undisclosed amount for United States Appraisals, a tech-enabled provider of home appraisals for lenders.

The failed FNF deal would have combined two of the four largest title insurers in the US, though Stewart was still able to walk away with a US\$50m termination fee.

SPROUT GETS SOCIAL WITH INVESTORS

Social media SaaS provider **SPROUT SOCIAL** saw its share price rally as it priced a US\$165m follow-on stock sale, its first since December IPO.

After two days of marketing, joint bookrunners Morgan Stanley, Goldman Sachs, Barclays, KeyBanc Capital Markets and William Blair late on Wednesday priced the primary/secondary sale (25%/75%) of 6m shares or 11.4% of expanded shares outstanding at US\$27.50.

This represented a modest file-to-offer discount to the stock’s pre-launch close of US\$27.75 but a sizeable concession to Wednesday’s close (just ahead of pricing) of US\$29.46.

It proved an attractive entry point. The stock traded as high as US\$32.46 in Thursday’s aftermarket, a move that came on top of Wednesday’s 8.4% rally on day two of the roadshow.

The re-assessment of Sprout’s value demonstrated what ECM can do for an under-owned name, the marketing effort resulting in some belated acknowledgement the stock is relatively cheap versus lofty valuations elsewhere in the software sector.

The syndicate had to bring down Sprout’s pricing sights to ensure a quality book, since substantive interest lay more in the mid-20s region.

The offering, which came outside the 180-day lock-up for December’s IPO priced at US\$17 a share, saw Sprout sell 1.5m primary shares and backers Goldman Sachs (1.5m of its 10.4m shares) and New Enterprise (3m of its 9m shares) the balance. Goldman is left with 20.8% and NEA 14.2%.

They are locked up for the later of 75 days or right after Sprout releases its third-quarter results.

“[The offering] seemed to come together a bit late because it is a bit of an under-covered name,” one ECM banker close to the deal said.

“It’s not tax or security software but it was a good entry point because for its growth rate it is hard to find an SaaS company trading under 10 times sales.”

According to Refinitiv data, Sprout currently trades at a 2021 EV/revenue multiple of 8.3 versus 20-plus for many SaaS names.

Though the social media vertical is arguably less central to the needs of big companies than some other specialist cloud software products, Sprout highlighted the simplicity of its platform and had a Covid-19 “story” to tell investors.

A stated risk is the possibility that companies pull back their social media spending, but for many social media is becoming an even more important means of reaching customers in the current pandemic environment.

In the second quarter, Sprout lifted total revenue 27% to US\$31.4m (annualised recurring revenue stood at US\$130.8m) and brought on new brands including Eventbrite, Bill.com, Autodesk and Teach for America, though the company continues to operate at a loss.

Ironically, Sprout went public just a day after Bill.com, a mixed blessing since the latter’s success (it now trades at a 2021 EV/revenue multiple of 28) may have contributed to Sprout’s limited following to date.

OVERSTOCK.COM TAPS EQUITY MARKETS AFTER STOCK SURGE

Online retailer and blockchain advocate **OVERSTOCK.COM** took advantage of a pandemic-driven stock price surge to raise US\$177.45m from an upsized overnight bookbuild.

Bank of America and Credit Suisse led the sale of 2.1m shares at US\$84.50, the bottom of the US\$84.50–\$88.50 range and an 8.2% discount to last sale.

The offering, equating to nearly 5% of expanded shares outstanding, was increased in size by 24% from 1.7m shares at launch.

The discount was not as significant as it looked considering that the company’s shares have surged from a low of US\$2.53 at the Covid-19 lows in March to as high as US\$112.62 in the week leading up to the offering.

On July 30, it reported net income of US\$36m and record net revenue of US\$783m (up 109%) for the second quarter, both well ahead of expectations and helped by a tripling in new customers as many opted to buy home furnishing from the safety of their homes.

The first major retailer to accept cryptocurrency in 2014, Overstock.com runs a home products-focused e-commerce

platform and owns Medici Ventures, a developer of blockchain technologies.

PERSONALIS RAISES US\$125m OVERNIGHT

Carrying momentum from strong second-quarter results and a newly approved cancer blood test, **PERSONALIS** raised US\$125m from an upsized overnight stock sale.

Bank of America, Citigroup and Cowen placed 6.58m shares overnight on Tuesday at US\$19, a 10.4% discount to the US\$21.21 last sale, for 15% of outstanding and upsized from the US\$100m originally targeted.

After closing at US\$19.01 on Wednesday, Personalis shares were back above US\$20 by Friday.

Personalised medicine refers to using genetic testing to identify patients that are the best candidates for their treatments.

Personalis plays a key role with its Next diagnostics platform used by biopharma clients to detect cancer biomarkers among 20,000 human genes from a small tissue sample.

Personalis also provides the US Department of Veterans Affairs with a genetic cancer test.

Despite slowdowns because of Covid-19, Personalis still reported US\$19.5m of Q2 revenue, up 23% from the corresponding period last year.

New products are expected to provide additional growth.

Last week Personalis launched a newly approved blood test for solid tumours for its customers in biopharma.

ADVERUM PAYS UP FOR EQUITY

ADVERUM TECHNOLOGIES, a gene therapy specialist, has returned to the equity market with a US\$188.5m follow-on offering after raising US\$150m back in February.

Adverum shares dropped 4.4% to US\$14.90 while Goldman Sachs, Cowen, SVB Leerink and Piper Sandler marketed towards the fixed US\$200m funding target.

They placed a downsized offering of 14.5m shares at US\$13, below February’s offering was priced at US\$13.75.

On Monday, alongside its Q2 release, Adverum provided an update from a Phase I trial of its gene therapy against wet age-related macular degeneration – or wet AMD, an eye disorder.

All six patients who received the high dose of the gene therapy (and 10 of 15 patients receiving the low dose) reported clear vision at the 15-month cut-off date, without needing rescue injections of Lucentis.

Adverum’s drug could be a game-changer for patients with wet AMD, who take

injections directly in the eye every few months in order to keep their eyesight.

Adverum was formed from the 2016 reverse merger of Annapurna Therapeutics with Avalanche Biotechnologies. Avalanche was also developing a gene therapy for wet AMD but failed the Phase I trial.

» PACIFIC BIOSCIENCES GOES IT ALONE

PACIFIC BIOSCIENCES OF CALIFORNIA has found a new lease on life after its US\$1.2bn acquisition by medtech giant **ILLUMINA** fell over earlier this year, delivering big gains for investors that participated in a US\$87m overnight stock sale.

Morgan Stanley, Cowen and Cantor late on Tuesday priced the sale of 19.42m PacBio shares at US\$4.47, the top of the US\$4.40–\$4.47 range. By Friday's session, the shares were trading as high as US\$5.79.

With the proceeds of the offering, PacBio now has more than US\$300m of cash to develop new products and seek its own acquisitions.

It comes after Illumina walked away from its purchase of PacBio in January rather than face antitrust concerns. PacBio received a US\$98m break-up fee as consolation.

Earlier this month, PacBio appointed Christian Henry as its new president and

CEO to replace the retiring Michael Hunkapiller.

» SERES THERAPEUTICS GETS SERIOUS ABOUT FUNDING

Looking to consolidate and take full advantage of Monday's 390% stock price spike, **SERES THERAPEUTICS** opted for a one-day roadshow ahead of Wednesday's upsized US\$225.8m public equity raise.

On Tuesday, joint books *Cowen and Piper Sandler* confidentially marketed the sale of 8m shares, representing about 11% of outstanding but just four days' trading volume, ahead of broader day of marketing on Wednesday.

ECM DEALS: WEEK ENDING 14/8/2020

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Fineos Corporation Holdings	Australia	12/08/2020	A\$85m	A\$4.26	Follow-on (Primary)	Macquarie, Moelis
Sydney Airport Holdings	Australia	12/08/2020	A\$2bn	A\$4.56	Follow-on (Primary)	UBS
StoneCo	Brazil	12/08/2020	US\$1,300m	US\$47.50	Follow-on (Primary)	JP Morgan, MS, Citigroup, XP Investments
Boralex	Canada	11/08/2020	C\$175m	C\$33.1	Accelerated bookbuild (Primary)	CIBC, RBC Capital Markets, TD Securities
TFI International	Canada	12/08/2020	US\$190.3m	US\$43.25	Follow-on (Primary)	MS, BofA, Credit Suisse, GS, JP Morgan, RBC CM, UBS
China Education Group	China	11/08/2020	HK\$2bn	HK\$15.50	Follow-on (Primary)	UBS
KE Holdings	China	12/08/2020	US\$2.1bn	US\$20	IPO (Primary)	GS, MS, China Renaissance, JP Morgan, CICC
OneConnect Financial Technology	China	13/08/2020	US\$324m	US\$18	Follow-on (Primary)	GS, Morgan Stanley, China PA Securities
Wisdom Education	China	11/08/2020	HK\$551m	HK\$4.24	Follow-on (Primary)	Citigroup
Musti Group	Finland	12/08/2020	€118.5m	€18.50	Accelerated Bookbuild (Secondary)	Carnegie, Nordea
ICICI Bank	India	10/08/2020	Rs150bn	Rs358	Follow-on (Primary)	Axis, BofA, BNP, Citigroup, GS, HDFC Bank, ICICI Securities, IIFL, Jefferies, JM, JPM, Kotak, MS, Motilal Oswal, Nomura, SBI Caps, Yes
TFG	South Africa	11/08/2020	R3.95bn	R41.90	Rights issue	Absa Bank, RMB, Standard Bank
Cellnex Telecom	Spain	13/08/2020	€4bn	€39.45	Rights issue	BNP Paribas, GS, JP Morgan, MS, BBVA, CaixaBank, Deutsche Bank, HSBC, Intesa Sanpaolo, Mediobanca, Sabadell, Santander, SG, UniCredit
Adverum Biotechnologies	US	12/08/2020	US\$188.5m	US\$13	Follow-on (Primary)	GS, Cowen, SVB Leerink, Piper Sandler
Carparts.com	US	13/08/2020	US\$78m	US\$13	Follow-on (Primary, Secondary)	RBC Capital Markets
CureVac	Germany	13/08/2020	US\$213.3m	US\$16	IPO (Primary)	BofA, Jefferies, Credit Suisse
Dragonair Growth Opportunities	US	13/08/2020	US\$600m	US\$10	SPAC IPO (Primary)	Citigroup, Goldman Sachs, JP Morgan
Duck Creek Technologies	US	13/08/2020	US\$405m	US\$27	IPO (Primary)	GS, JP Morgan, BofA, Barclays, RBC CM
Essential Utilities	US	10/08/2020	US\$310.9m	US\$46.40	Accelerated bookbuild (Primary forward sale)	RBC Capital Markets
Flagstar Bancorp	US	10/08/2020	US\$181.8m	US\$30.30	Accelerated bookbuild (Secondary)	Morgan Stanley
Floor & Décor	US	10/08/2020	US\$384.3m	US\$67.60	Accelerated bookbuild (Secondary)	Morgan Stanley
Fortress Value Acquisition II	US	11/08/2020	US\$300m	US\$10	SPAC IPO (Primary)	Deutsche Bank, Morgan Stanley, Bank of America
FS Development	US	11/08/2020	US\$105m	US\$10	SPAC IPO (Primary)	Jefferies
Griffon Corp	US	13/08/2020	US\$172m	US\$21.50	Follow-on (Primary)	Baird, Raymond James, Stephens, Truist
Lionheart Acquisition II	US	13/08/2020	US\$200m	US\$10	SPAC IPO (Primary)	Nomura, Cantor Fitzgerald
NetSTREIT	US	12/08/2020	US\$225m	US\$18	IPO (Primary, Secondary)	Wells Fargo, BofA, Citigroup, Stifel, Jefferies
Omeros	US	11/08/2020	US\$100m	US\$14.50	Follow-on (Primary)	BofA, JP Morgan
Overstock.com	US	11/08/2020	US\$177.5m	US\$84.50	Accelerated bookbuild (Primary)	BofA, Credit Suisse
Pacific Biosciences of California	US	11/08/2020	US\$86.9m	US\$4.47	Accelerated bookbuild (Primary)	Morgan Stanley, Cowen, Cantor
Personalis	US	11/08/2020	US\$125m	US\$19	Accelerated bookbuild (Primary)	BofA, Citigroup, Cowen
Plug Power	US	11/08/2020	US\$314.4m	US\$10.25	Accelerated bookbuild (Primary)	Morgan Stanley
RedBall Acquisition	US	12/08/2020	US\$500m	US\$10	SPAC IPO (Primary)	Goldman Sachs
Schrodinger	US	12/08/2020	US\$330m	US\$66	Follow-on (Primary, Secondary)	Morgan Stanley, BofA, Jefferies, BMO CM
Seres Therapeutics	US	12/08/2020	US\$225.8m	US\$21.50	Follow-on (Primary)	Cowen, Piper Sandler
Shutterstock	US	11/08/2020	US\$125m	US\$48.50	Follow-on (Primary)	BofA, Morgan Stanley
Southwestern Energy	US	13/08/2020	US\$137.5m	US\$2.50	Follow-on (Primary)	Citigroup, Goldman Sachs, JP Morgan
Sprout Social	US	12/08/2020	US\$165m	US\$27.50	Follow-on (Primary, Secondary)	Morgan Stanley, GS, Barclays, KeyBanc CM
Stewart Information Services	US	12/08/2020	US\$100m	US\$38	Follow-on (Primary)	Goldman Sachs
Sunnova Energy	US	13/08/2020	US\$250m	US\$25	Accelerated bookbuild (Secondary)	BofA, JP Morgan, Credit Suisse, Goldman Sachs
Upland Software	US	11/08/2020	US\$119m	US\$34	Follow-on (Primary)	Credit Suisse
Vertiv	US	12/08/2020	US\$305m	US\$15.25	Follow-on (Secondary)	JP Morgan, GS, BofA, Citigroup, Evercore

Seres shares climbed 17.6% to US\$23.56, over the public marketing.

The biotech elected to upsize to 10.5m shares placed at US\$21.50, a 7.3% file-to-offer premium and compared to a US\$4.64 price entering the week.

“We didn’t really need to market but the company is using this (equity offering) to transform their shareholder base,” said one banker involved in the underwriting. “This is a company that a lot of people left for dead.”

The wall-cross generated multiple anchor orders with interest from biotech specialists. A subsidiary of Nestle purchased an additional 959,002 shares through a registered direct offering to boost gross proceeds to US\$245.7m

While confidential marketing is rampant in biotech ECM, going “over the wall” to public investors is less frequent. In this case, the public marketing helped Seres firm up pricing.

Ahead of the market open on Monday, Seres reported positive Phase III results on its lead drug for *Clostridioides difficile* infections, setting the stage for regulatory approval.

C. diff, as it is known, is a bacterium that can cause symptoms ranging from diarrhoea to life-threatening inflammation of the colon.

In upgrading the stock on Monday (US\$29 price target), Jefferies analysts increased the addressable market for Seres’ *C. diff* drug to 175,000 patients annually from 125,000, noting the trial results boosted investor sentiment in the space after a recent “lack of success in late-stage studies”.

Seres’s Phase II trials on the same drug disappointed in 2016 (before which the stock was above current levels) and again this July, raising doubts about the likelihood of regulatory approval.

Those doubts have contributed to a share register that saw just five institutions led by original VC backer Flagship Ventures holding a combined 75% stake.

PLATINUM CUTS VERTIV STAKE

Private equity firm Platinum Equity collected US\$305m by selling about one-sixth of its stake in former SPAC **VERTIV** late Wednesday.

After a day of marketing, a syndicate led by JP Morgan, Goldman Sachs, Bank of America, Citigroup and Evercore priced the sale of 20m Vertiv shares or 6.1% of the company at US\$15.25, a 9.1% file-to-offer discount.

Platinum is locked up for 90 days from selling any more of its remaining 29% stake.

The sale came just six months after Vertiv went public via a merger with the Goldman Sachs-backed SPAC, GS Acquisition.

Platinum took the former network power business of Emerson Electric private in 2016 before agreeing in December to the SPAC merger, which was subsequently finalised in February.

The merger included lock-ups on initial shareholders that expired on July 31, while Vertiv shares hit a record high of US\$17.23 on August 5 after it reported better-than-expected second-quarter revenues.

CARPARTS.COM MAKES RARE ECM VISIT

Taking advantage of a stunning stock rally, **CARPARTS.COM** priced a upsized US\$78m follow-on offering that marked a rare visit to ECM for the California-based online auto parts retailer.

RBC acted as sole bookrunner on the two-day marketed sale of 6m shares, or nearly 14% of expanded capital at US\$13, a 7.9% file-to-offer discount.

The offering comprised 4m primary shares and 2m from co-founder and former CEO Mehran Nia, who took the opportunity to reduce his 11.8% stake to about 7%.

Strong demand enabled RBC to upsize the deal from 5m shares at launch, all of which was additional primary issuance.

CarParts.com shares have surged 570% this year as the company posted record second-quarter sales – up 61% to US\$118.9m – and was recently added to the Russell 2000 Index.

GRIFFON RAISES US\$172m

This year’s equity recap cycle has brought forth a wide variety of issuers, including some names rarely seen in ECM circles and some that rarely get a mention anywhere.

GRIFFON CORP, a diversified holding company with businesses in consumer and professional tools, garage doors and defence electronics, certainly falls into the lesser known bucket.

Nevertheless, it still managed to find enough interest to raise US\$172m from a two-day marketed stock sale.

Baird, acting as lead books with *Raymond James*, *Stephens* and *Truist* in tow, priced 8m Griffon shares or 14% of the company at US\$21.50 or a 10.7% file-to-offer discount. In Friday’s aftermarket, Griffon shares were trading at US\$21.93.

“This is a high-quality company but a little bit of a sleeper,” said one banker involved in the underwriting.

“They have been around for a long time and have consistently delivered.”

The underwriting syndicate marks a mid-market homecoming of sorts from the bulge-bracket *Goldman Sachs* and *JP Morgan* team that led Griffon’s last (US\$87.4m) equity raise back in 2018.

Griffon, whose roots date back to 1774, is using proceeds from the equity raise to fully repay the US\$104.2m drawn on its US\$400m revolver.

The equity financing follows the renewal and expansion of its revolver in January through 2025 and a US\$1bn HY offering in February used to term out US\$850m debt through 2028.

Despite being under the radar, Griffon churned out an impressive US\$246m in adjusted Ebitda on revenue of US\$2.3bn in the trailing 12 months ended June 30.

SOUTHWESTERN ENERGY CONSOLIDATES APPALACHIA FOOTHOLD

With battered down oil and natural gas prices only recently showing signs of recovery, consolidation across E&P has become inevitable.

SOUTHWESTERN ENERGY, a natural gas producer focused on the Appalachian Basin of the north-east US, seemed like an unlikely candidate before agreeing on Wednesday to acquire smaller rival **MONTAGE RESOURCES** in an all-stock transaction.

While the purchase is not expected to close until the fourth quarter, Southwestern nevertheless used the news flow as an excuse to raise US\$137.5mm through a follow-on stock sale to pad its balance sheet.

Citigroup, *Goldman Sachs* and *JP Morgan* publicly marketed the sale of 55m shares, about 9% of the current Southwestern (excluding script being given to Montage shareholders), before pricing post-close on Thursday at US\$2.50, a 17.8% discount to the US\$3.04 pre-launch price.

Having finished the second quarter with US\$2.44bn of debt, Southwestern expects to use the proceeds to repay US\$209m of revolver borrowings. Its longer-term plan is to take out US\$510m of high-yield debt being assumed through the acquisition.

Despite blowing through US\$204m of cash in the first half of 2020, Southwestern expects the combined company to generate US\$100m of free cashflow in 2021 based on forward prices for natural gas and hedges currently in place.

“We will maintain our strong balance sheet, improve our leverage profile and retain our differentiated five-year maturity window, which we’ll further enhance with (this) equity offering,” said Southwestern CEO William Way on the M&A call on Wednesday morning.

There was no Q&A on the call, though there were certainly a lot of questions from sceptical investors during the marketing, particularly from energy-specialist funds that took the bulk of the placement.

Southwestern’s tie-up with Montage combines two highly levered, natural gas

producers that were both struggling to survive on their own.

Near-term natural gas futures recently traded at US\$2.51 per Mcf, up nearly 40 cents in the past month, and the 12-month STRIP at US\$2.71.

SPORT STREAMING SERVICE SEEKS IPO LIFELINE

Four months after merging with sports live streaming service fuboTV, **FACEBANK** has revealed plans to list on a major US exchange via a US\$100m offering.

Its August 11 SEC filing did not specify an exchange but named *Evercore* as a lead underwriter in a six-firm syndicate. Its shares currently trade on the OTCQB so-called venture market under the symbol "FUBO".

Launched in 2015 as a soccer streaming service, fuboTV has evolved into a live TV streaming platform. Since acquiring the company, Facebank has since announced plans to rename the entire company as fuboTV, a process that is ongoing.

The combined entity generated US\$146.5m of revenues last year but also recorded net losses of US\$173.7m in the same period. In the latest quarter, it grew revenues 53% to US\$44.2m and paid subscribers by 47% year-on-year to 286,126.

It expects to grow subscribers to 340,000–350,000 at the end of this quarter, representing year-on-year growth of 20%.

The IPO offers a lifeline for fuboTV, which is expected to incur losses for the foreseeable future.

According to the filing, auditors have expressed "substantial doubt" about Facebank's ability to continue as a going concern, though the company counts Disney, Comcast, AMC Networks and Viacom (which had helped fund fuboTV prior to the merger) as shareholders.

ECP CUTS SUNNOVA STAKE AGAIN

Energy Capital Partners did not let the stunning rebound in solar energy stocks in recent months go to waste, cutting its stake in solar panel maker **SUNNOVA ENERGY INTERNATIONAL** for the second time in six weeks via an upsized US\$250m secondary offering late on Thursday.

Having also cut its stake in late June, the energy-focused private equity firm was again the main seller in the offering, though it achieved a sharply higher price as solar stocks have rebounded amid M&A activity and greater demand for home solar energy during Covid-19.

Bank of America, *JP Morgan*, *Credit Suisse* and *Goldman Sachs* reoffered 10m shares, up from 8m at launch, at US\$25, the bottom of the

US\$25–\$26 marketing range and an 11.3% file-to-offer discount.

Though the discount was wide, Sunnova shares have tripled from their Covid-19 lows in March, and the price was 50% higher than the last sell-down.

Though the final split is still to be disclosed, ECP initially planned to sell at least 5.22m shares in the base offering, while Kayne Anderson (2m) and Tortoise Capital Advisors (770,240) were selling all (or nearly all) of their remaining holdings.

ECP also sold 6.2m shares in Sunnova's June 30 follow-on offering of 7m shares at US\$16.50 via a syndicate led by the same banks (though Bank of America was lead-left in the latest deal instead of JP Morgan last time).

Industry consolidation in the form of Sunrun's US\$3.2bn acquisition of rival Vivint Solar announced in early July has helped boost solar valuations, while stay-at-home orders during the pandemic have prompted some consumers to consume more energy and seek more efficient sources of power.

There is a 45-day lock-up on sellers in Sunnova's latest offering though the previous offering came with a 90-day lock-up that was waived early to take account of the company's share price surge.

DRAGONEER SCORCHES SPAC MARKET WITH US\$600m IPO

Dragoneer Investments, a regular anchor presence in tech IPOs, took the natural next step of any prominent investor these days by raising US\$600m from an IPO of its own SPAC, **DRAGONEER GROWTH OPPORTUNITIES**.

Citigroup, *Goldman Sachs* and *JP Morgan* publicly marketed 60m units at US\$10 apiece on Wednesday and Thursday.

Rather than push on size, Dragoneer tightened the terms, flexing from a one-third warrant gearing at launch, to one-quarter a day later, and finally to one-fifth.

Dragoneer will invest US\$150m on an acquisition. Willet Advisors, Michael Bloomberg's philanthropic arm, signed on for another US\$25m at acquisition.

Dragoneer Growth traded early on Friday on its NYSE debut at US\$10.77, hot by SPAC IPO standards.

Dragoneer Investments' success across venture capital, to cross over, and public markets has landed it plumb spots in late-stage privates like Snowflake and Trumid, as well as anchor roles on public ECM transactions such as Ceridian HCM, MercadoLibre and ZoomInfo Technologies.

There was a time, in May, when Chamath Palihapitiya was forced to relent from one-quarter warrants on his SoCap I and II

concurrent SPACs. GS Acquisition II was able to achieve one-quarter warrant coverage on its US\$700m IPO last month.

And while there's been a smattering of warrantless life sciences SPACs, Dragoneer Growth is the second sizeable SPAC to fire at one-fifth power after Fortress's US\$300m **FORTRESS VALUE ACQUISITION II**'s IPO earlier in the week (see below).

Fewer warrants means lower dilution to potential targets, providing a competitive advantage in what has become an arms race.

So far this year, SPACs have already raised US\$26bn through IPOs, an all-time high and not far off the US\$37.6bn taken in on regular IPOs.

"All of the banks are working on SPAC mergers," one ECM banker told IFR. "The size and quality of targets SPACs are looking at is unbelievable."

"The potential opportunities have expanded to some of the highest-profile IPO candidates out there."

Another sign that Airbnb, which has filed confidentially to go public through a regular-way IPO, could soon tie up with a SPAC.

CARDINALE, BEANE ROLL REDBALL TO US\$500m SPAC IPO

SPACs have opened public markets to an eclectic mix of businesses that otherwise would not have access, at least not at this stage in their development.

Space travel firm Virgin Galactic, electronic vehicle makers Fisker and Lordstown Motors, and rare earth minerals mining firm MP Materials – all companies that are pre-revenue or loss-making – are recent examples.

REDBALL ACQUISITION, the Billy Beane/Gerald Cardinale-led SPAC, has expanded the asset class's potential reach into sports, a vertical that has fielded few public successes aside from Manchester United's US\$233.3m NYSE listing in 2012.

RedBall raised US\$500m on Wednesday from the sale of 50m units at US\$10 apiece in a vehicle structured as one-share, one-third warrant.

RedBall, sponsored by Cardinale's investment firm RedBird Investment, closed its NYSE debut on Thursday at US\$10.10, after trading as high as US\$10.25 early in the session.

Times have changed since Man U went public in 2012: from Twitter and Amazon fighting over the rights to stream Thursday night National Football League games in 2016–17, to the more recent growth of sports analytics provided by the likes of Google for Major League Baseball.

RedBird, the firm Cardinale founded, does have expertise in sports analytics, including

StoneCo raises US\$1.3bn for Linx buy

■ BRAZIL Payment processor makes e-commerce software push

Berkshire Hathaway-backed **STONECO** raised US\$1.3bn of equity to fund the acquisition of retail management software firm Linx, though it appeared to do so without much direct help from Warren Buffett.

After a day of marketing, the Nasdaq-listed Brazilian payments company sold 27.38m Class A shares or 9.2% of the expanded shares outstanding at US\$47.50, a 9.3% file-to-offer discount that may have been exaggerated by an 11% rally ahead of the announcement.

Demand was still strong enough to upsize the deal by 30% from US\$1bn at launch.

Though Berkshire Hathaway invested US\$340m in StoneCo alongside its October 2018 IPO (at US\$24 a share), bankers close to the deal said it was unlikely to buy shares in the latest offering.

"I have never seen Berkshire participate in a [follow-on stock sale] before," one ECM banker close to the deal said.

"They are more likely to do a PIPE [private placement] where they can take down the whole amount."

Another banker said: "They usually get better terms than the public market and can negotiate that on their own because they can offer plenty of capital."

Ahead of the offering, Berkshire owned 7.9% of StoneCo's Class A shares, though the super-voting Class B shares held by the company's founders mean it has only 1.2% of the voting power.

E-COMMERCE

Late on Tuesday StoneCo revealed it would pay US\$1.1bn for Linx after rumours to that effect earlier in the day.

Their union comes little more than a year after Linx went public in the US (both companies are listed in the US).

However, StoneCo shares eased 5.9% to US\$49.29 in Wednesday's session as *JP Morgan*, *Morgan Stanley*, *Citigroup* and *XP* pitched to investors and StoneCo offered relatively vague guidance about the financial merits of the deal.

Management said on a conference call that the acquisition would add to earnings in 2021,

but it did not say by how much or provide a synergy estimate.

"This acquisition is a big step forward for us in our strategy to become the one-stop shop for merchants of all sizes, supporting them in the online as well as the offline world," StoneCo CEO Thiago dos Santos Piau said on the call.

Despite being exposed to the fast-growing Brazilian e-commerce scene, Linx has underperformed since it went public in the US last year.

StoneCo is paying R\$33.76 (US\$6.22) a share mostly in cash for Linx, below the US\$9.40 level at which the latter went public on the NYSE in June last year but still a 41.6% premium to Linx's VWAP in the past 60 days.

"[StoneCo and Linx] are better companies together than alone," the first banker said.

"StoneCo is one of the most interesting companies in the region for growth investors."

JP Morgan and Morgan Stanley also advised on the M&A and provided committed debt. Goldman Sachs advised Linx, having also led its IPO.

Anthony Hughes

a July investment in Austin, Texas-based **ZELUS ANALYTICS** that it folded into ownership French football team **TOULOUSE FC** to drive value across European football.

Beane, the head of baseball operations at the Oakland A's, gained notoriety for employing analytics in the best-selling book *Moneyball* that he has expanded into football as a consultant to AZ Alkmaar.

RedBall CEO Alec Scheiner, a RedBird partner, brought similar analytics to the NFL as president of the Cleveland Browns between 2012 and 2016.

There are opportunities and RedBall's ambitions are global. As part of a consulting arrangement, RedBird gave 30,000 of its founder shares to Rice, Hadley, Gates & Manuel, the international strategic consulting firm co-founded by Condoleezza Rice, Stephen Hadley, Robert Gates and Anja Manuel, and will pay US\$300,000 annually.

RedBird has committed to invest US\$100m on an acquisition through a forward purchase agreement to assist in closing a deal.

■ FORTRESS GOES ONE-FIFTH IN ON US\$300m SPAC IPO

Having made quick work of its initial SPAC funding, Fortress Investment Group raised US\$300m through *Fortress Value Acquisition II*.

Deutsche Bank, *Morgan Stanley* and *Bank of America* launched a two-day public bookbuild on the proposed sale of 30m units at US\$10, structured as a one-share and one-fifth warrant.

Fortress Value II closed its NYSE debut on Wednesday at US\$10.17.

This is the first-ever SPAC outside of life science to achieve such low warrant gearing, which while obviously helpful to an acquisition provides investors less upside participation.

FIG, as sponsor, does have a sterling track of successful SPAC mergers.

In January, FIG's US\$345m **MOSAIC ACQUISITION** SPAC completed its US\$1.25bn merger with the Blackstone Group-backed home automation provider **VIVINT SMART HOME**. And last month, its US\$300m **FORTRESS VALUE ACQUISITION I** agreed to a US\$1.5bn tie-up with rare earth minerals miner **MP MATERIALS**, less than three months after the SPAC IPO.

Vivint, which has yet to complete a first-time follow-on, recently closed at US\$18.29, and Fortress Value I/MP Materials at US\$13.60.

Fortress Value II returns the same management team as Value I. Andrew McKnight, Fortress's co-head of credit, returns as CEO; Daniel Bass, Fortress's CFO, as CFO; and Micah Kaplan, an MD of corporate debt and securities at Fortress and a former BofA HY analyst, as COO.

Fortress Value II is non-descript in terms of potential targets, only outlining deep credit expertise of management/Fortress and a value-oriented approach.

■ FORESITE CONTINUES BIOTECH SPAC RUN

Biotech VC Foresite Capital is looking to make its SPAC debut with a US\$105m IPO of **FS DEVELOPMENT** structured entirely as common stock.

Jefferies, as sole bookrunner, launched marketing on Tuesday morning of 10m shares at US\$10 apiece, before upsizing to 10.5m.

FS Development closed its Nasdaq debut on Wednesday at US\$10.30 and traded Friday at US\$10.67.

Foresite Capital has committed to invest US\$25m through a forward purchase agreement, as well as US\$4m through a private placement alongside the IPO to fully fund the trust.

FS Development is the fourth warrantless SPAC IPO in just over a month, following *Therapeutics Acquisition* in July and the dual-prints a week ago of *Health Sciences Acquisitions* and *ARYA Sciences Acquisition*.

All are life sciences-focused SPACs and sized for smaller acquisitions.

FS Development is headed by Foresite founder Jim Tananbaum, a former Merck executive who later went on to found *Theravance BioPharma*.

Foresite has figured prominently on traditional IPOs. So far this year it has taken seven biotechs public in Alx Oncology (+133% from offer), Generation Bio (+3.4%), Keros Therapeutics (+125%), Nurix Therapeutics (-5.5%), Oric Pharmaceuticals (+57.5%), Relay Therapeutics (+109%) and Vaxcyte (+139%).

CANADA

» TFI MAKES SWIFT ECM RETURN

Acquisitive Canadian haulage company **TFI INTERNATIONAL** returned to raise an upsized US\$190.3m of equity from US and Canadian investors, a deal that came just six months after it successfully listed its shares on the NYSE.

After a day of marketing, a syndicate led by Morgan Stanley, Bank of America, Credit Suisse, Goldman Sachs, JP Morgan, RBC Capital Markets and UBS priced the sale of 4.4m TFI shares at US\$43.25/C\$57.32, a 2.6% file-to-offer discount. Demand was strong enough to upsize the offering from 4m shares at launch.

Though February's US listing and an accompanying US\$230m raising at US\$33.35/C\$44.20 a share seemed poorly timed as Covid-19 hit home a month later, TFI's stock price has tripled from its March lows as cyclical parts of the economy have started to recover, vindicating the decision to try to extract a higher valuation in US capital markets and access more capital to participate in industry consolidation.

TFI plans to use the offering proceeds for working capital and to reduce debt (long-term debt falls to US\$1.15bn), freeing up funds for more acquisitions.

The company has made a series of smaller acquisitions in recent months, the most recent being the late July purchase of Keith Hall & Sons Transport, an Ontario-based liquid and dry foods trucking business that generates C\$30m of annual revenue.

Also in late July, TFI reported a 17% decline in second-quarter revenues to C\$1.11bn but was still able to substantially increase its operating cashflow through stringent working capital management and tax deferral.

» BORALEX GETS ECM TAILWIND

TSX-listed renewable power company **BORALEX** reloaded its balance sheet by raising C\$175m (US\$132m) from a bought deal financing overnight Tuesday.

National Bank Financial, CIBC, RBC and TD Securities led the sale of 5.29m shares at C\$33.10, a 2.2% discount to last sale.

Boralex plans to use the net proceeds to repay its revolver, although it expects to redraw the facility for working capital and general corporate purposes.

The company aims to reach a target of 2,800 megawatts of capacity from its wind, hydro, geothermal and solar projects, up from 2,055 megawatts currently.

Up about 35% this year, Boralex shares have comfortably outperformed the TSX 300 (-3%), helped by its growth in jurisdictions such as France and New York and its strong ESG credentials.

STRUCTURED EQUITY

CHINA

» UNIVERSAL SCIENTIFIC PLANS CB

Shanghai-listed **UNIVERSAL SCIENTIFIC INDUSTRIAL (SHANGHAI)** plans to raise Rmb3.45bn (US\$496m) from a six-year convertible bond.

Proceeds will be used for research and development of headphone chip modules, to produce electronic products in Guangdong province, wearable device products in Vietnam, and replenish working capital.

The proposal still needs approval from shareholders and regulators.

ISRAEL

» WIX MARKS THE SPOT WITH AGGRESSIVE US\$500m CB

Israeli website developer **WIX.COM** ended up with a zero coupon on its US\$500m five-year convertible bond issue.

More impressive was that it was able to achieve a 45% conversion premium, becoming only the fifth US-listed company to reach such a high threshold on a sub-1% coupon CB this year, according to IFR data.

Russian search engine and car-hailing provider Yandex was the first with its US\$1.25bn five-year print in February at 0.75%, up 47.5%; followed that same month by RingCentral's US\$1bn five-year

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KKR preps for GA purchase with US\$1bn MCB

■ US Deal marks PE firm's first-ever public equity raising

After agreeing last month to buy annuities provider **GLOBAL ATLANTIC, KKR & CO** padded its own balance sheet by raising an upsized US\$1bn from the sale of a three-year mandatory convertible preferred bond issue.

Goldman Sachs, KKR Capital Markets and Morgan Stanley upped the size of the MCB from US\$750m at launch before pricing the securities with a 6% dividend and 22.5% conversion premium, toward the aggressive ends of the 5.75%–6.25% and 17.5%–22.5% talk.

The deal marks the private equity firm's first public equity raising since it went public in 2010.

KKR last month agreed to acquire Global Atlantic for a price equal to its book value at closing sometime early in 2021. At June 30, GA's book value stood at US\$4.36bn.

KKR intends to syndicate a portion of the retained equity to co-investors ahead of closing, and to retain a 60% stake in the business.

ANNUITIES

GA, which services 2m annuities and has relationship broker-dealers/banks, would provide important retail distribution for KKR's fixed-income products and capital-raising.

"We have talked about creating new products together for those channels and using their distribution to distribute them," KKR co-COO Scott Nuttall said on the firm's second-quarter earnings call. "We thought about [the acquisition] as an upside lever over time."

KKR will be GA's general manager, providing an annuity stream that will add to book value and earnings in the first full year, according to the firm.

Because it is retaining so much of the business, KKR's permanent capital as a percentage of AUM is expected to grow from 9% to 33%.

Ahead of the pricing on the MCB late Tuesday, KKR shares closed at US\$37.01, up roughly 17% since announcing the GA purchase and 4.6% since the previous week's second-quarter earnings release.

The MCB allows the firm to forgo dilution to share prices above US\$44.41 while paying a 4.5% pick-up over its underlying dividend yield.

KKR has never been shy about retaining direct exposure to its investments. The firm remains the largest shareholder in the combined **FISERV-First Data** nearly five years after taking First Data public and still holds a chunk of the position on its own balance sheet.

Stephen Lacey

at 0%, up 50%; Square's US\$1bn five-year in March at 0.125%, up 50%; and micro-inverter maker Enphase Energy's US\$320m five-year at 0.25%, up 52.5%, also in March.

Highlighting the extent of investor interest in Wix.com, *JP Morgan, Bank of America and Morgan Stanley* were able to walk up accounts from the 30%–35% premium talk at launch, to 35%–40%, and then 40%–45%, while holding the line at a fixed 0% coupon, over the course of the one-day marketing on Monday.

Wix.com's shares fell 4.7% to US\$277.94 on that day.

The company spent US\$40m of the proceeds raised on a call spread to offset dilution to share prices up to US\$555.88, a 100% premium to reference.

RingCentral and Square both used similar derivatives to offset dilution to double their share prices at the time of issuance, so Wix.com is being similarly opportunistic in a piping hot CB market for tech issuers.

The rationale for the 0% coupon, while equally bullish, is less apparent.

As an Israeli company, Wix.com is required to withhold a portion of the interest expense and later remit that to investors, a complexity avoided when there is no interest expense.

Wix.com's offering also comes just days after it reported a surge in its registered users in the second quarter by 64% to 9.3m, though revenues rose only 27% to US\$236.1m and it spent 90% more on advertising, the increase in opex leading to an earnings miss.

"Though the [extra opex] slashes earnings into the second half and 2021, we see leverage and scale-building in the model leading to margin improvement in 2021," Summit Insights' senior analyst Jonathan Kees said in a recent note.

"Wix should continue to lead in the SMBs web enablement market. We believe that management is following a strategy akin to Amazon in investing, building growth, and maintaining leadership – at the expense of profitability."

At June 30, Wix.com carried US\$750m-plus in cash and short-term investments.

UNITED STATES

■ AEP RECHARGES VIA US\$750m MCB

Less than a week after Moody's downgraded its credit ratings by one notch (to Baa2 from Baa1) amid concerns about its debt load and capex needs, **AMERICAN ELECTRIC POWER** opted on Tuesday to accelerate its funding plans by bringing to market a US\$750m mandatory convertible.

JP Morgan and Mizuho spent Tuesday marketing the sale of 15m AEP equity units with a 6.125%–6.625% dividend and 17.5%–22.5% conversion premium, the deal ultimately pricing at the tight end of the dividend talk and the midpoint of the conversion premium talk – 6.125% and 20%.

The deal comes as capital markets activity in the utilities sector appears to be stepping up amid better stock price performance. Many companies have used their second-quarter earnings releases to update investors on their capital plans.

AEP told analysts earlier this month it planned to raise US\$1.4bn of equity next year, mostly to help fund its North Central

EQUITY-LINKED DEALS WEEK ENDING: 14/8/2020

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon/YTM %	Premium (%)	Bookrunner(s)
Wix.com	Israel	10/08/2020	US\$500m	US\$75m	5y	0	45	JP Morgan, BofA, Morgan Stanley
American Electric Power	US	11/08/2020	US\$750m	US\$100m	3y	6.13	20	JP Morgan, Mizuho Securities
Helix Energy Solutions	US	11/08/2020	US\$200m	N/A	6y	6.75	45	Wells Fargo, Evercore
KKR	US	11/08/2020	US\$1,000m	US\$150m	5y	6	22.5	Goldman Sachs, KKR, Morgan Stanley
Omeros	US	11/08/2020	US\$210m	US\$31.5m	5.5y	5.25	28	BofA, JP Morgan
Perficient	US	11/08/2020	US\$200m	US\$30m	5y	1.25	28	Jefferies, JP Morgan
Wayfair	US	11/08/2020	US\$1,320m	US\$198m	5y	0.63	32.5	Citigroup, Goldman Sachs

Wind projects in Oklahoma (US\$1.3bn of the amount). However, the Moody's downgrade appears to have chastened AEP to raise capital sooner.

The MCB was structured as a contract to purchase AEP common in 2023 and a 1/20 interest in an AEP junior subordinated debenture due 2025, enabling AEP to get interest deductibility and equity credit.

In a tough session for the sector, shares of Columbus, Ohio-based AEP fell 3.1% to \$83.29 as the deal was marketed, taking year-to-date losses to 11.9%. AEP is the fifth-biggest utility stock in the S&P 500 utilities index.

AEP has reaffirmed its 2020 guidance for operating earnings of US\$4.25–\$4.45 a share, up from US\$4.24 last year.

OMEROS EQUITY TRAP UNLEASHES BEARS

After reporting positive clinical results on Monday morning on its Covid-19 monoclonal antibody, **OMEROS** took the opportunity to refresh its capital structure with a two-part, US\$310m equity-linked raise.

GLOBAL CONVERTIBLE OFFERINGS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	88	16,461.64	14.1
2 Goldman Sachs	73	14,690.60	12.6
3 Morgan Stanley	63	12,462.02	10.7
4 Bank of America	62	11,952.90	10.2
5 Citigroup	41	7,661.99	6.6
6 Barclays	28	4,233.77	3.6
7 Credit Suisse	22	3,058.89	2.6
8 Wells Fargo	19	2,991.11	2.6
9 BNP Paribas	15	2,586.48	2.2
10 Guotai Junan Secs	11	2,548.12	2.2
Total	325	116,755.88	

Including exchangeables and domestic offerings.

Source: Refinitiv

SDC code: C9

GLOBAL CONVERTIBLE OFFERINGS – EMEA

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	22	4,248.77	20.2
2 Morgan Stanley	11	2,289.10	10.9
3 Goldman Sachs	13	1,697.64	8.1
4 BNP Paribas	11	1,663.98	7.9
5 UniCredit	8	1,526.23	7.2
6 HSBC	8	1,194.17	5.7
7 Barclays	6	1,158.93	5.5
8 Citigroup	5	1,041.67	4.9
9 Credit Agricole	7	971.52	4.6
10 Bank of America	8	855.38	4.1
Total	42	21,082.49	

Including exchangeables.

Source: Refinitiv

SDC code: C09d

Simultaneously, the biotech negotiated the repurchase of a portion of its US\$210m principal 6.25% CB maturing in November 2023, lowering its funding costs while also extending maturities.

The financing exercise did not go quite as expected, prompting the biotech to revise plans.

A day after spiking 50.9% to US\$21.32, Omeros' shares gave back 25.5% to US\$15.89 while the new equity and CB were being marketed.

At launch, the raise was contemplated as US\$125m equity and US\$200m CB.

Upon re-evaluation, Omeros opted to sell 6.9m shares at US\$14.50 (US\$100m) and upsize the 5.5-year CB to US\$210m priced at a 5.25% coupon and 27.5% premium to reference on the common pricing, towards the aggressive ends of 5%–5.5% and 22.5%–27.5% price talk.

Bank of America, JP Morgan and Cantor were joint books on the common; and Bank of America, JP Morgan and RBC Capital Markets on the CB.

Omeros' shares traded on Friday at US\$13.40, below the US\$14.13 level ahead of the Covid-19 antibody results on Monday.

GLOBAL CONVERTIBLE OFFERINGS – US

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	51	11,159.09	17.6
2 JP Morgan	57	10,803.76	17.0
3 Bank of America	50	10,162.71	16.0
4 Morgan Stanley	41	8,403.60	13.3
5 Citigroup	27	5,050.68	8.0
6 Wells Fargo	19	2,991.11	4.7
7 Barclays	20	2,797.34	4.4
8 Credit Suisse	13	2,263.45	3.6
9 RBC	9	1,007.74	1.6
10 Jefferies	9	877.17	1.4
Total	110	63,376.64	

Source: Refinitiv

SDC code: C9a

ALL INTERNATIONAL ASIAN CONVERTIBLES

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	6	1,588.03	15.0
2 Morgan Stanley	9	1,498.96	14.2
3 UBS	7	1,370.77	13.0
4 Citigroup	7	1,203.81	11.4
5 JP Morgan	6	965.78	9.1
6 Bank of America	3	818.14	7.7
7 Credit Suisse	7	685.48	6.5
8 HSBC	4	382.03	3.6
9 Nomura	2	280.93	2.7
10 CICC	3	225.00	2.1
Total	28	10,558.30	

Including exchangeables.

Source: Refinitiv

SDC code: M10

PERFICIENT SELLS US\$200m CB

PERFICIENT, a provider of software and IT services, raised an upsized US\$200m from the sale of a five-year CB on Tuesday.

After a day of marketing, Jefferies and JP Morgan placed the new CB at a 1.25% coupon and 27.5% conversion premium, the lower half of the 1.125%–1.625% and 25%–30% talk.

The banks also negotiated the purchase of the US\$131m principal of Perficient's 2.375% CB maturing in 2023 for US\$172m in cash, or about 130% of par.

Perficient shares fell 0.8% to US\$40.53 while the deal was marketed.

In addition to eliminating dilution from the 2.375s, which are convertible at share prices above US\$26.60, Perficient spent US\$23m on a derivative to offset dilution on the new CB to share prices up to US\$81.56, a 100% premium to reference.

HELIx ROLLS MATURITIES WITH HIGH-COST CB

HELIx ENERGY SOLUTIONS, a battered oilfield services company, paid a high price on a CB refinancing on Tuesday, offering up a high coupon in exchange for achieving a high conversion premium.

Wells Fargo and Evercore, as joint bookrunners, placed US\$200m of the six-year CB overnight on Tuesday at a 6.75% and 45% conversion premium, after marketing at fixed terms and US\$175m sizing.

The banks had marketed confidentially earlier on Tuesday.

Helix Energy spent almost all the proceeds raised to repurchase 4.25% CBs maturing in 2022 and its 4.125% CB maturing in 2023. It spent US\$10.5m of proceeds on a derivative to offset dilution recognition on the new CB to share prices up to US\$8.42, a 75% premium to reference.

All of this in the context of a stock that fell 9.1% to US\$4.27 and fetched US\$9.63 at the beginning of the year.

ALL INTERNATIONAL ASIAN CONVERTIBLES

(EXCLUDING JAPAN)

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	6	1,588.03	16.8
2 Morgan Stanley	9	1,498.96	15.9
3 UBS	7	1,370.77	14.5
4 Citigroup	7	1,203.81	12.8
5 JP Morgan	6	965.78	10.2
6 Bank of America	2	666.18	7.1
7 Credit Suisse	5	591.00	6.3
8 HSBC	4	382.03	4.0
9 CICC	3	225.00	2.4
10 BNP Paribas	1	200.00	2.1
Total	22	9,434.33	

Including exchangeables.

Source: Refinitiv

SDC code: M11

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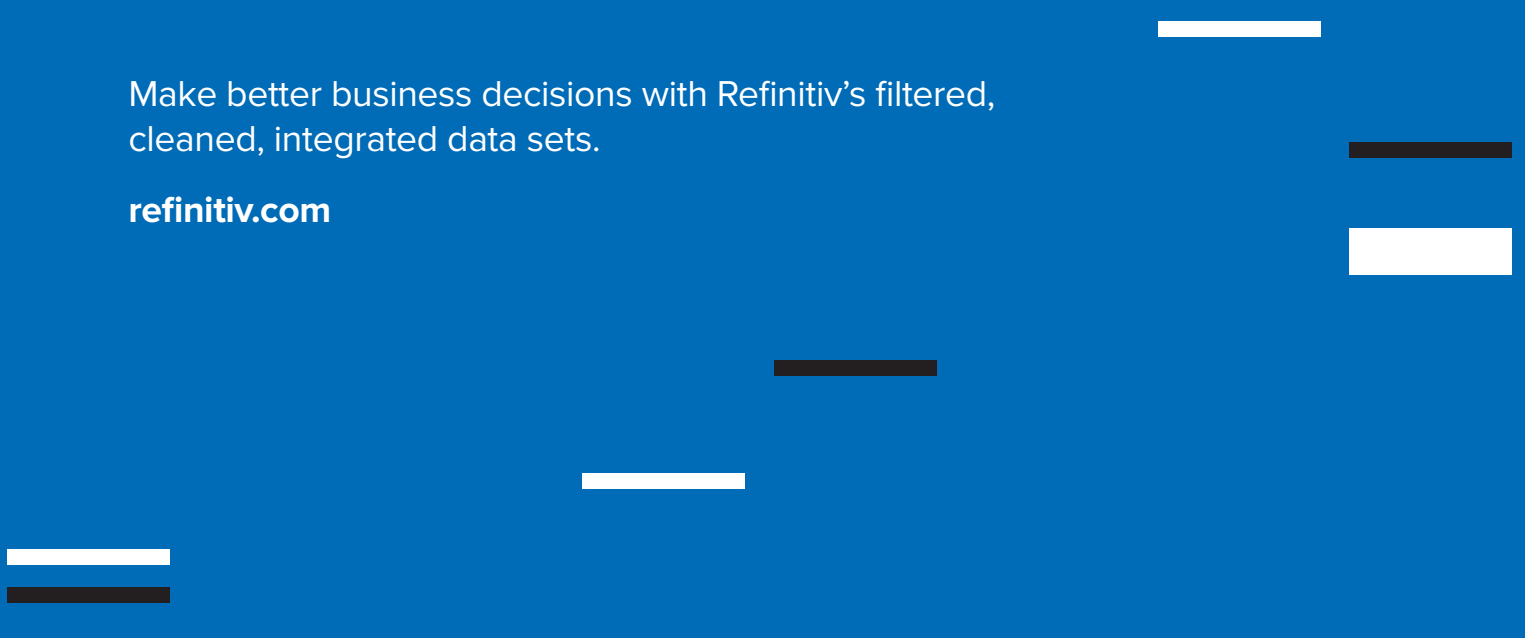


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